

# Current History

FEBRUARY, 1962

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## LATIN AMERICA, 1962

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## WEST EUROPE

March, 1962

Our March issue is devoted to a study of the nations of West Europe, their industrial and agricultural growth and their participation in the Common Market or Outer Seven. Articles include:

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*"The significance of the Alliance for Progress, and in general of the attitude which the administration of President John Kennedy has adopted towards Latin America, is that for the first time the top policy makers of this country do recognize the nature of what is occurring in Latin America. They have taken the first steps towards evolving a policy to deal with the Latin American revolution." Here seven articles explore the developing nations of Latin America and evaluate their problems.*

## New Directions: The United States and Latin America

By ROBERT J. ALEXANDER  
*Professor of Economics, Rutgers University*

FOR THE first time since World War Two the United States has a definite policy to guide its relations with Latin America. During the 15 years or more following the war, there were no guidelines indicating the objectives that the United States was seeking in its relations with the other American republics. Nor was there any indication of consistency in the handling of relations with these countries.

Indeed, for the most part the problems of Latin America and of the United States' relationship to these problems were largely ignored. The President, the secretary of state and other leading policy-makers centered their attention on the situation in Europe, relations with the Soviet Union, the problems of Asia, with little time or interest left for the countries to the south of us. Only when some crisis arose—when Peron figuratively thumbed his nose at this country, when President Arbenz threatened to establish a Communist regime in Guatemala, when the Vice President of the United States was spat upon in Caracas, or when Fidel Castro virtually declared war on this country—did the

authors of United States foreign policy pay any attention to Latin American affairs.

As a result of this situation, inter-American relations were subject to conflicting pressures on the United States. Groups with particular interests to protect almost always got their way. The most important and influential of these groups consisted of the military branch of the United States government itself. It was concerned principally with aligning its counterparts in the Latin American republics on the United States side, and in obtaining standardization of military equipment throughout the hemisphere. It cared little about the political or psychological aspects of this problem.

As a result of the pressure of the United States military, medals were presented by the President of the United States to two of the worst Latin American dictators of the post-war period, Generals Manuel Odria of Peru and Marcos Perez Jimenez of Venezuela. A similar honor was conferred upon the commander of Batista's air force only a few weeks before the overthrow of his regime. The United States armed forces were also at

least partly responsible for the 30-year support of the dictatorship of Rafael Leonidas Trujillo in the Dominican Republic.

Another important pressure group consisted of United States firms with business interests in one or another of the Latin American countries. Not infrequently, they have worked with local dictators, have opposed necessary changes in the economic and social structures of the countries in which they have affiliates, and have brought pressure upon the United States government to do the same.

Certainly business influence has been important in determining United States tolerance for and even support of various dictatorships in Central America. It was responsible for the extremities to which our appeasement of Peron went at various times during his presidency. It certainly influenced the United States government in dragging its feet on the issue of adequate aid to the economic development of the Latin American economies, particularly in those countries where United States businessmen felt that the governments were following "socialist" economic policies.

Occasionally, other groups were also able to influence the actions of the United States in particular Latin American countries. Thus the American Federation of Labor was influential in getting the United States to oppose Nicaraguan dictator Anastasio Somoza's attempt to overthrow the democratic government of President Jose Figueres of Costa Rica in January, 1955. This was one of the few cases during the 15-year post-war period when this country sided with a democracy against a dictatorship.

Even the career diplomats of the State Department sometimes constituted a pressure group. This is the most plausible explanation for the fact that the United States has supported since 1953 the revolutionary government of Bolivia, which has been carrying out basic changes in the economy and society of that country.

The lack of a well-defined policy in our relations with Latin America has in general contributed greatly to a disastrous deterioration in the friendship between the two parts of the hemisphere. It has meant that in most cases the United States gave moral, political and military support to the dictators who

were the plague of the hemisphere during this past decade and a half. It has meant that the United States government has done relatively little to contribute to the economic development of the other 20 republics of the hemisphere.

### The Revolution in Latin America

The neglect of inter-American problems between 1945 and the beginning of 1961, and the inept, mistaken and inadequate actions of the United States in handling its relations with the republics of the area have been an indication of the lack of understanding on the part of leading United States policy-makers of the nature of development in the area. There has been little realization of the fact that these countries have been passing through a profound revolution which will determine the nature of inter-American relations for many decades to come.

There are various aspects of the revolution in progress in Latin America. For one thing, there is a hemisphere-wide move to oust from the traditional positions of authority the landed oligarchy or aristocracy which has dominated the economic, social, cultural and political life of these countries since colonial times. Among other things, this has meant a drive for redistributing the rural land, taking it from the large landowners and giving it in one way or another to the peasantry.

The second aspect of the revolution in progress in Latin America has been a hemisphere-wide move for economic development, and particularly for industrialization. This matter is given particular urgency by the fact that Latin America has one of the most rapid rates of population growth to be found anywhere in the world, something over three per cent per year.

Although virtually all politically alert citizens of the Latin American countries are strongly in favor of industrialization, the actual rate of economic growth has varied a great deal in the years since the end of World War Two. In the first decade after the war, the national income of most of the Latin American countries rose very rapidly, considerably outstripping the increase in population. However, since 1955 the rate of income rise has been very slow, in 1960 amounting to only about one per cent per capita in the area as a whole. This situation

has engendered a growing problem of unemployment, and a deepening feeling of frustration among large segments of the populace, who have the impression that they are being forced to run very fast merely to remain in the same place.

### The Rise of Nationalism

Closely allied to the drive for economic development has been the rise of nationalism, which constitutes another aspect of the Latin American revolution. Like other parts of the world, Latin America has been touched by the wave of nationalism, partly as a result of the economic and social changes which have taken place in the region.

In the traditional Latin American society there was little room for the kind of popular nationalism which characterizes the modern world. The ruling oligarchy had little in common with the "peons" who worked on its estates. The aristocracy's sympathy and admiration were reserved for people of a similar cultural, economic and social level in Europe, particularly in France, Spain and Italy. They were more international in their outlook than nationalist. On the other hand, the Indians and Negroes who made up the great majority of the population likewise had no loyalties to the nation; they were conscious of belonging to little more than their tribe or their local community.

However, with the development of modern mining and plantation agriculture, and the growth of manufacturing industry, there have developed middle groups in the Latin American countries. These are middle groups in more than the economic sense. They are socially neither a part of the old aristocracy, which looks down on them, nor of the old lower classes whom they tend to despise. Finally, in many cases, these middle elements are of mixed blood, having both aristocrat and peasant in their ancestry, but being loyal to neither.

To these middle groups, nationalism has come to have real meaning. They do not have the internationalist outlook of the old upper classes, nor do they have the parochial point of view of the old lower classes. They find that the nation is something to which they can give their full loyalty; it is a symbol with which they can associate themselves and their interests. Their nationalistic fervor has

spread to other elements of the community, and there are few Latin Americans today who are not ardent nationalists.

The rise of nationalism in Latin America has reinforced the desire for economic development. The people of the region see this as a means of strengthening and making more effective their nations' sovereignty. They have tended to seek national control of public utilities, railroads and other key parts of their economies. They have sought to insure that foreign firms operating in their countries keep completely out of politics, and obey strictly all local laws. They have sought to develop an independent foreign policy which does not depend on that of any other nation, and which is determined in the light of what is best for each particular Latin American country.

Inevitably these moves have led to certain clashes with United States interests. Most of the foreign firms operating in the area belong to United States citizens. The United States has generally loomed as a colossus over the hemisphere, and any demonstrations of nationalistic fervor have inevitably turned at least in part against us. This country, furthermore, cannot avoid uneasiness over the assertion of independence in world affairs by countries which we have been accustomed to regarding as our loyal supporters.

The change in Latin America which we have been discussing is the most fundamental fact about these 20 countries today. The question is not whether there will be revolutionary change in the various nations of the region; it is inevitable that this will take place. The only meaningful issue is what form the change will take. Fundamentally, the problem is whether the leadership of the revolution in Latin America will be in the hands of democrats or of totalitarians.

Until recently, those responsible for molding United States foreign policy have not been really aware of the nature of the issues which are most important in Latin America. Rather than trying to aid a rapid, democratic and peaceful transformation in the area, the United States has too often tried entirely to prevent the changes which are under way. This has contributed much to the growing feeling of frustration and hopelessness which pervades Latin America, and to the rapid advance of virulent anti-Yankeeism, which

plays directly into the hands of the totalitarian enemies of this country.

#### Alliance for Progress

The significance of the Alliance for Progress, and in general of the attitude which the administration of President John Kennedy has adopted towards Latin America, is that for the first time the top policy makers of this country *do* recognize the nature of what is occurring in Latin America. They have taken the first steps towards evolving a policy to deal with the Latin American revolution. Rather than trying to prevent this revolution, they are seeking to make sure that it takes place rapidly enough so that the people of Latin America will not turn to totalitarian methods in desperation.

The first thing to note is that the United States now has clear objectives. Fundamentally, these objectives are three in number. First, the United States is attempting to help the Latin Americans to hasten the rate of economic development in their countries. Second, we are trying to encourage the kind of changes in economic and social institutions which are demanded by most Latin American popular parties and which are long overdue. Finally, we are throwing our weight against dictatorships, whether of left or right, and are supporting the establishment and consolidation of political democracy in the other countries of the hemisphere. An unstated corollary of this policy is a belief that democratic nations which are striving actively for greater social justice and are achieving rapid economic growth are more likely than any other regime in the area to collaborate with the United States on the larger world scene.

The Alliance for Progress program was first announced by President Kennedy shortly after he was inaugurated, and was transformed into a multilateral policy at the Conference of Finance Ministers of the hemisphere at Punta del Este, Uruguay, in August, 1961. It embodies at least two aspects of the United States' new Latin American policy. It is to be a spur to economic development, and an encouragement to change in the economic and social structure of the Latin American countries.

The agreements made at Punta del Este by the Finance and Economics Ministers of

20 American republics (Cuba didn't sign the final documents) include a promise by the United States of a minimum of \$20 billion during the next ten years for aid to the economic growth of Latin America. All of this money will not come directly from the United States government. Some will be forthcoming from international lending institutions, some more will come from private United States investors. However, the great bulk of the promised funds is destined to come from various United States public lending and aid agencies.

It was agreed at Punta del Este that in order to be eligible to participate in the benefits of the Alliance for Progress program, the individual countries of Latin America will be expected to have under way certain fundamental changes in their economic and social institutions. First will be agrarian reform (if a given country has not already carried out such a program), for the redistribution of the nation's landed property. Second will be the reorganization of the tax system, to end the traditional situation whereby the poor have paid virtually all of the costs of government.

Finally, it was agreed that a nation expecting to receive financial aid through the Alliance for Progress will present to the Economic and Social Council of the Organization of American States a planned program of development for the period covered by the ten year Punta del Este accords, to assure as much as possible the wide and economic use of the available resources through this hemisphere-wide effort. The Conference established a system whereby the Council would receive these plans and program the use of the funds to be available under the Alliance for Progress. This aspect of the program will be principally in the hands of a group of Latin American economists who are experts in the problems of economic development.

Since the Punta del Este Conference the Kennedy administration has moved to put into effect its part of the agreements reached there. The President has named Teodoro Moscoso, who was the principal author of the highly successful industrialization program in Puerto Rico, as the head of the Latin American section of the Agency for International Development (AID), which will be the major institution to handle the Alliance

for Progress from the United States end. This appointment assures that there will be a sympathetic heart and an expert eye handling these affairs in Washington.

The second aspect of the new United States policy for Latin America is its general support for democracy in the area. Unlike its predecessors, this administration has shown opposition not only to pro-Communist dictatorships, but also to some rather right wing ones as well. At the same time, it has indicated its desire to collaborate in the hemisphere with the more progressive-minded democratic regimes.

#### **The Cuban Crisis**

This aspect of Kennedy's Latin American policy has been somewhat obscured, unfortunately, by what this writer feels was an extremely bad mishandling of the problem presented by the pro-Communist Castro dictatorship in Cuba. Unhappily, the administration has failed to make clear in this situation its support for a left democratic alternative to Castro, which in all likelihood is the only one which would be acceptable to most of the Cuban people. It made a very bad mistake in supporting the invasion of the island by Cuban exiles, including some officers of ex-dictator Fulgencio Batista's armed forces. The aftermath of this attempted invasion has been to strengthen immensely Castro's hold on Cuba, and almost completely destroy, for the time being at least, the organized underground opposition to the Fidelista regime.

Perhaps the Kennedy administration has erred most with regard to Cuba in not realizing that other Latin American countries would not take multilateral action against the Castro regime until the United States made it clear that the Alliance for Progress and other aspects of the new United States policy are not merely a new turn in aimless zigzagging. The Administration would be well advised to "forget" Cuba for a while, until the Alliance for Progress is well under way, and until it is clear that the United States really sides with democratic social change in Latin America.

However, although making important mistakes in its handling of the problem of the hemisphere's left-wing dictatorship, the Kennedy administration has made clear generally

its dislike for the kind of right-wing dictatorships which had had the support of previous administrations. This attitude has been evident specifically in the case of the Dominican Republic.

After the death of the dictator of that country, Rafael Leonidas Trujillo, the United States used its influence to try to get President Joaquin Balaguer to liberalize his administration, and to pave the way for the establishment of a legitimate, democratically elected constitutional regime in the Dominican Republic. When, in the middle of November, 1961, two brothers of the late dictator sought to reestablish the kind of regime which Rafael Trujillo had maintained for three decades, the United States gave diplomatic, moral and even the promise of military support to President Balaguer in his successful effort to thwart this attempt.

As a complement to its announced disapproval of dictatorial regimes, the Kennedy administration has indicated its desire for close relations with the democratic governments of the hemisphere. It has been particularly friendly towards the administrations of President Romulo Betancourt of Venezuela, Arturo Frondizi of Argentina, Manuel Prado of Peru and Janio Quadros of Brazil.

The Brazilian case is particularly significant. Quadros clearly wanted to assert his government's independence of the United States in its foreign policy, without becoming hostile to the United States. The Kennedy administration offered him an extensive program of some \$1 billion for economic development, with particular attention to the problems of the drought and poverty-stricken northeastern section of the country.

It is too early to appraise properly the likely results of the Kennedy policy towards Latin America. However, it may be worth while to note some of the possible difficulties. The writer feels that there are several possible stumbling blocks to its success, some of which originate in the United States, others in Latin America.

#### **Stumbling Blocks to Progress**

First of all, perhaps, is one side of the personality of President Kennedy himself. He is a politician of very great skill and sensitivity. However, for this very reason he may upon occasion allow his instincts as a United

States politician to get in the way of his vision of what is necessary for the reestablishment of good relations with the nations of Latin America.

This possibility may perhaps be demonstrated most clearly in the President's choice of personnel to carry out his program in Latin America. Although most of his appointments in this field are to be commended, most Latin Americans looked with dismay at the appointment of DeLesseps Morrison, former Mayor of New Orleans, as United States Ambassador to the Organization of American states, because Morrison was decorated by such Latin American dictators as Trujillo and Peron.

A second possible source of difficulty is the chance that some professional diplomats in charge of the new policy will not themselves realize the challenge that this policy represents. There is a danger that they will bring to their task none of the sense of adventure that is necessary if the program is to arouse the enthusiasm and support of the people of Latin America, and at least the tolerance of the United States citizenry.

There is danger that some State Department "old hands" may be too accustomed to the confusions of past policy, and conditioned to regard all Latin American requests for economic aid as demands for handouts. Then they will not be able to realize that the Alliance for Progress is a joint program for transforming the hemisphere, to the advantage of this country as well as to Latin America. Such attitudes might well be disastrous for the whole effort.

On the Latin American side there are perhaps much more serious difficulties. Fundamental is the possibility that this program, good as it is, comes too late, that the dry rot in inter-American relations has gone too far to be stopped. The writer hopes and believes that such is not the case.

However, what certainly is a serious problem is the inability of many Latin American democrats to realize that for democracy to be successful in their part of the world it must be able to meet the demands of the people for greater social justice and for a rising standard of living. In some countries the democrats tend to be distressingly conservative, and they may well resist any moves to bring about social and economic change.

Indeed, they may resent the United States urging them to carry out such transformations, and in some cases may even raise the old bogey of "Yankee intervention" in defense of the *status quo*. In doing so, they will leave the program of the Latin American revolution completely in the hands of the totalitarians.

The United States government, and the more progressive Latin American democracies, must convince the conservative democrats of the need for altering such social and economic institutions as large landholding, the tax system, and the distribution of income. Otherwise the whole program sponsored by Kennedy may fail, at least in large parts of the hemisphere. In this connection, time is a key factor. In many countries the totalitarian threat is pressing, is something that may burst from below the surface at any moment. The Alliance for Progress scheme is a race against time.

However, after all these reservations, the new Latin American policy of the Kennedy administration is the most hopeful change in inter-American relations since World War Two. It comes to grips for the first time with the fundamental difficulties between us and the Latin American countries. It also is a basic effort to use the still powerful economic, political and moral resources of this country to help the Latin American nations deal with their own major problems. If this program is pushed forward with the vision and energy which President Kennedy's early pronouncements seemed to indicate, the chances are good that Latin American can be saved from totalitarianism, and that the 20 countries of Latin America will find the road to social justice, economic prosperity and political democracy.

Robert J. Alexander has travelled extensively in Latin America. He has worked for the Office of Inter-American Affairs and for the Board of Economic Warfare. His writings include *Communism in Latin America*, *The Peron Era* and numerous pamphlets and magazine articles.

*Discussing Argentina's progress under the Frondizi government and relations with the U.S., this specialist writes that "President Frondizi's economic policies have brought his country closer to the United States than at any time in history, and to a greater extent than ever before the United States has committed itself to the success of an Argentine administration."*

# Argentina's Quest for Stability

By ROBERT A. POTASH

*Professor of History, University of Massachusetts*

ALTHOUGH Argentina's President, Dr. Arturo Frondizi, in an address to the United Nations General Assembly last October linked his country to the new nations of Africa and Asia in their mutual quest for rapid social and economic progress, it would be erroneous to assume that in its economic and social circumstances the great southern republic bears a strong resemblance to those countries or even to many of its sister Latin American states. Underdevelopment is after all a relative term and it is chiefly in comparison with the major industrial states that Argentina can be said to be underdeveloped. This country of over 20 million people has a per capita income which (while only about one-fifth that of the United States) is more than double that of either Brazil or Mexico. Its population, in sharp contrast to that of many Latin American countries, is racially and culturally homogeneous and largely European in origin.

Argentina is a highly urbanized country, in contrast to the general Latin American pattern, with a larger percentage of its people

living in communities of 2,000 or more than is the case even in the United States. Whereas agriculture constitutes the chief source of livelihood for most Latin American countries, in Argentina only 25 per cent of the labor force is so employed and industry contributes more than agriculture to the national income. Still, it should be noted, agricultural exports earn 95 per cent of the foreign exchange. In terms of the usual statistical indicators of social well-being such as literacy, food and clothing consumption, availability of medical care, Argentina compares favorably with and in some categories surpasses the advanced countries.

Yet here it should be observed that conditions are not uniform. Argentina is a country of notable contrasts as between regions and classes. The levels of living in many of the provinces, particularly in the north, are substantially below those prevailing in the wealthier provinces of Buenos Aires, Santa Fe, Cordoba and Mendoza. And even within these more advanced provinces, there is a tremendous gap between the living conditions in the capitals and key cities on the one hand and those of the rural areas on the other. There electricity is a rarity, roads unpaved, transportation uncertain, school facilities inadequate, to say nothing of limited economic opportunities.

This disparity in the conditions of existence has been a major factor in precipitating a vast internal migration in the direction of the cities and especially the federal capital. This process, which began in the 1930's under the impact of the Great Depression, was intensified in the 1940's and 1950's by

Robert A. Potash is on sabbatical leave presently to work on a history of Argentina since 1930. From 1955 to 1957 he specialized in Argentine affairs for the U.S. Department of State's Office of Research and Analysis for American Republics. Author of *El Banco de Avio de Mexico*, he is on the board of editors of the *Hispanic American Historical Review*.

the policies of the Perón regime and is still very much in evidence. According to the 1960 Census, 6,609,129 people, or 33 per cent of the total Argentine population, live in Buenos Aires and Greater Buenos Aires. Moreover, while the population of the nation as a whole rose by 25.9 per cent since the previous census in 1947, the 18 counties that surround the national capital and constitute Greater Buenos Aires expanded their population in the same period by 117 per cent. This tendency of the largest metropolis to grow at the expense of the rest of the country is paralleled within many of the provinces by the relatively greater rate of growth of a key city, usually the provincial capital, than of the province as a whole.

The continued influx of people into greater Buenos Aires and other major urban centers like Cordoba has resulted in an array of social problems, chief of which is the shortage of housing. Shanty towns lacking the elements of sanitation, to say nothing of comfort, have made their appearance in the outskirts of Buenos Aires and other cities. The contrast between these "villas miseria," as they are called, and the luxury apartment houses that are rising by the hundreds in the better districts of Buenos Aires is a visible reminder both of the social inequities that lie beneath the veneer of this urbanized society and the need for ameliorative action.

The prospects for improving the living standards of the urban masses and the rural populace rest ultimately on the ability of the economy to expand. Without continuous economic growth at a rate greater than that of the population, social benefits written into law lose their value. This unfortunately has been the experience of Argentina over the past 15 years. Neither the Perón regime nor its successors have managed to overcome the tendency of the Argentine economy to stagnate. The per capita output of goods and services achieved in 1948 represents a high point that has still to be exceeded or even equaled.

This failure to achieve an adequate rate of growth has been reflected in the critical economic problems confronting Argentina in recent years: the continuing inflationary spiral; disequilibria in the balances of trade and payments; huge fiscal deficits; the de-capitalization of basic transportation serv-

ices; power shortages. It is possible that on the ability of the Frondizi administration to find solutions to these problems will depend not only its place in history but also the future of constitutional government in Argentina.

#### Frondizi's Policies

President Frondizi, now in the fourth year of his six-year term, is committed to the solution of these problems through economic policies that were not anticipated by many of those who voted for him in the 1958 elections. For, despite a political campaign in which he identified himself with pro-labor, nationalist, and statist programs and in which he received the support of Peronist and Communist elements, once in office he adopted measures designed to attract the massive investment of foreign capital, to reduce state controls over the economy, and to give greater scope to individual initiative. In an agreement with the International Monetary Fund, which enabled Argentina to obtain substantial financial support, the Frondizi government late in 1958 launched Argentina on a stabilization program that was intended to cope with the grave trade and payments situation and to strike at the roots of the inflationary cycle. The program involved the devaluation of the peso, the elimination of subsidies to the domestic consumer, restrictions on the use of credit, the limiting of wage increases to those justified by productivity increases, and the reduction of fiscal deficits.

What have been the results of the administration's economic program? Deferring for the moment consideration of the social and political aspects and concentrating on the economic consequences, it can be said that the accomplishments thus far—and this is only an interim judgment—have been very mixed. The immediate goal of halting the disequilibrium in the balance of payments, which was threatening to wipe out Argentina's gold and foreign exchange reserves, was achieved. During 1959, 1960 and early 1961 its foreign exchange position improved notably. Toward the end of 1961, however, this exchange position was again weakening. This reflected the government's inability to reverse the tendency in recent years for imports to exceed exports, even

though in 1959 sharp curtailment of the former produced a small trade surplus. With a trade deficit of \$170 million in 1960 and a very much larger one anticipated for 1961, Argentina still faces the problem of enlarging its exports substantially, a complex problem whose solution involves not only increasing the volume and variety of exportable products but also finding new markets for them. Frondizi's lengthy tour of Asian countries scheduled for December, 1961, was directly linked to this purpose.

A second major goal of the administration's economic program, that of halting the inflationary spiral, has also proved frustratingly elusive. The original expectation that the shift from a controlled to a free exchange rate and the other measures adopted in early 1959 would result in a price rise of some 25-30 per cent to be followed by a leveling-off proved altogether too optimistic. In the first six months of the stabilization program, prices shot up an average of over 10 per cent per month and by the end of a year the price level had more than doubled, an event without precedent in the experience of the present Argentine generation. A slowing down in the rise of prices took place in 1960 with the cost-of-living index increasing by about 27 per cent for the year; in 1961 the upward trend was still continuing with the cost-of-living index jumping by 15 per cent in the first 10 months. The elimination of the inflationary spiral may be approaching, but at present it remains an aspiration awaiting fulfillment.

A similar commentary can be applied to the administration's efforts to reduce the fiscal deficit, which is a contributing factor to the inflationary spiral. In each year since the adoption of the stabilization plan, the government has struggled to narrow the gap between income and outgo, lowering it from 38.5 billion pesos in the budget submitted for 1958-1959 to 19.5 billion pesos for 1960-1961. In fiscal year 1961-1962 the government hopes to achieve a balanced budget. A major obstacle to its success hitherto has been the heavy operating losses incurred by certain state-owned enterprises, particularly those in the transport field. Treasury figures published at the close of the 1960-1961 fiscal year revealed that these enterprises had produced deficits of 18.3 billion pesos, of which

almost 70 per cent was contributed by the national railways.

To reduce the burden imposed on the treasury by these various enterprises the Frondizi administration has acted to transfer some of its operations, such as provincial and urban bus lines, to private hands, and in mid-1961 it announced its intention to come to grips with the vexing railway problem. Nationalized under the Perón regime, the rail lines have deteriorated significantly in service; apart from their cost to the treasury they have been unable to meet the changing needs of the economy. The administration's plan for reorganizing the railways calls for the reduction of its labor force by 75,000, the suspension of uneconomical branch lines in favor of other modes of transportation, and the turning over to private hands of auxiliary services such as repair shops and station dining rooms.

#### Protest Strikes

As was to be expected, a storm of protest from trade union ranks greeted the government's plan and a series of strikes including a three-day general strike (November 7-9, 1961) were held to force its abandonment. Despite the losses inflicted on the economy by these work stoppages, the administration as of November, 1961, seemed determined to carry through the railway reform. It claims that this will not only relieve the budget of an intolerable drain but facilitate the modernization of the system to provide the service required by an expanding economy.

While much of the administration's energies have been directed toward achieving stabilization, the ultimate object of its policy of course is to stimulate growth. The immediate effects of the stabilization program, however, were to produce sharp declines in industrial and construction activity, and thus lower the over-all volume of production. Most of the ground lost in 1959 was recovered the following year, but the result was to delay the economic progress promised by the administration. Nevertheless, it can point with satisfaction to certain notable accomplishments, in particular the expansion of petroleum production to the point where the country is now on the verge of achieving self-sufficiency. It can also claim some credit

for advancing projects initiated under previous administrations, such as the San Nicolas steel mill whose first stage, a 500,000 metric-ton blast furnace, went into operation in 1960. Also in this category were the opening of the natural gas line from Salta to Buenos Aires, with the consequent easing of the industrial power problem; and the expansion of electric power facilities in the Greater Buenos Aires area.

The administration, moreover, can point to its success in attracting foreign capital into the country. In its first three years in office, some 200 projects were approved, many of them to be located in less developed parts of the country, involving a proposed investment in excess of \$320 million. Some of these projects have reached the production stage as in the case of the automobile industry which produced 84,000 vehicles in the first eight months of 1961 in contrast to 49,000 in the same period of the previous year. Furthermore, with the aid of loans from United States' and international lending agencies the administration has embarked on projects like highway and airport construction to strengthen the country's infrastructure.

The Frondizi economic program calls for immediate sacrifices on the part of the Argentine population to achieve the promise of a brighter future. Unfortunately the burden of sacrifice has not been distributed equally and this has been partly responsible for a good deal of the social unrest. The stabilization program by its very nature imposed the greatest burdens on the wage earning and salaried classes whose capacity to consume was lowered by the sharp rise in prices unaccompanied by equivalent pay increases. Real wages, as reflected in the index for unskilled industrial workers in the federal capital, fell 26 per cent between 1958 and 1959, and remained at the lower level throughout 1960. An upturn has taken place in 1961 but as of mid-year, the index of real wages had still not returned to the levels that had generally prevailed in the decade 1948-1958.

Looked at in a different form, the administration's economic policies have had the effect in the short run of reducing the share of the gross domestic product that enters into wages and salaries while comparably increasing the share enjoyed by entrepreneurs and prop-

erty owners. Such a tendency if allowed to continue could well be as harmful to the future of a democratic Argentina as the persistence of economic stagnation.

#### Political Support

The Frondizi administration's economic policies have inevitably had repercussions in the political and labor fields. As already indicated, this government came to power in 1958 with electoral support from Peronists, Communists, and nationalists. Most important were the Peronists, whose votes, cast on orders from ex-dictator Perón, then living in the Dominican Republic, proved decisive in enabling Frondizi's Intransigent Radical Civic Union (U.C.R.I.) party to win control. The Administration aimed to wean the Peronists away from loyalty to their exiled leader and to convert them into a stable source of support. Once in office, Frondizi embarked on a so-called integrationist policy whose authorship is often ascribed to Rogelio Frigerio, a close advisor of the President. Despite sharp criticism from opposition political parties, anti-Peronist labor leaders, and certain military figures, the U.C.R.I.-dominated Congress pushed through a series of measures that included a general amnesty for Peronist political leaders and a new basic labor statute whose enforcement permitted Peronist labor leaders to gain control of unions at the expense of anti-Peronists. The measures adopted did not include the waiving of charges against Perón himself or the legalization of the Peronist party, which had been outlawed in 1955 after its leader's fall. The purpose was to encourage former Peronists to look to the administration party as the logical avenue for political activity and its rewards.

#### Military Support

Despite the pursuit of integrationist measures, the administration's hopes of retaining mass Peronist support proved illusory when the conservative nature of its economic policies began to unfold. Peronist as well as Communist and nationalist sectors repudiated the contracts given in late 1958 to foreign companies to exploit petroleum resources, and responded to the subsequent adoption of the economic stabilization program with a series of strikes and acts of violence. The

Frondizi administration replied by invoking the state-of-siege powers, which have now been in force for three years, by turning to the military to mobilize key trade unions, and by subsequently banning the activities of the Communist as well as the Peronist party.

In calling on the military to protect his administration from the threats of political strikes, terrorism and armed revolt, President Frondizi inevitably encouraged forces within the military that were hostile to the integrationist policy. Opposition to integrationism among these military leaders has its roots in their historical role in overthrowing Perón and in the anti-Peronist measures with which they were identified during the years of the Aramburu Provisional Government (1955-1958). Suspicious of President Frondizi because of the nature of his political campaign and the origin of his electoral support, they have exerted considerable pressure on the administration, and obtained an influence over its policies that was at its highest between mid-1959 and early 1961. This was approximately the period when General Toranzo Montero, arch-opponent of Peronism and communism, held the post of Army Commander-in-Chief. In this period, cabinet officers and other officials identified with integrationism were replaced, civilians accused of terrorism were subjected to military courts, the integrationist governor of Cordoba was ousted, and heavy restrictions were placed on Peronist and Communist activities.

Military influence on the conduct of policy, both foreign and domestic, seems to have waned since early 1961. Toranzo Montero's resignation in March may be taken as one indication of the shift and the increased influence of the supporters of Frigerio as another. Nevertheless President Frondizi cannot safely ignore the views of the armed forces, which still retain their role as watchdog over the acts of the administration.

Within the Argentine labor movement, the economic policies of the administration have led, interestingly enough, to a process of accommodation among the rival sectors that have characterized the movement since Perón's overthrow. That event had been followed by government intervention (assumption of control) of the General Confederation of Labor (C.G.T.) and the fragmentation of

its affiliated unions into anti-Peronist, Peronist, and Communist-led blocs. During the Aramburu regime, anti-Peronist leaders received official encouragement, a situation that was reversed during the era of the integrationist policy. But throughout both periods, bitter labor disunity prevailed and the C.G.T. as a result remained in government hands.

In November, 1960, however, all sectors of organized labor participated in a jointly-sponsored general strike—an event without precedent in previous years—to protest the presidential veto of a bill liberalizing severance pay allowances for discharged workers. In vetoing this much needed measure (the existing allowances had been made meaningless by the inflation), the President provided an issue devoid of the political overtones present in previous general strike calls, and thus encouraged, some say intentionally, a joint labor undertaking. At any rate, out of this experience negotiations began among the leaders of the most important Peronist and non-Peronist unions and a formula was found for setting up joint control of the C.G.T. The Frondizi administration, partly because of electoral considerations (this was on the eve of the February, 1961, senatorial election in the federal capital), announced support for the plan, and in March, 1961, a 20-man provisional committee divided evenly between Peronists and independents resumed control of the labor central.

Mutual opposition to the Frondizi government's economic policies has thus brought about at least a temporary lessening in trade union rivalry and raises the interesting possibility, though it is hardly more than that at this time, of a politically independent labor movement. The C.G.T. in its present form has conducted three general strikes against administration policies, but the true test of its new-found unity will come when delegates of its affiliated unions meet in a general congress, originally planned for December, 1961, to adopt a new constitution and elect permanent officials.

President Frondizi's economic policies have brought his country closer to the United States than at any time in history, and to a greater extent than ever before the United States has committed itself to the success of an Argentine administration. It should not be thought, however, that the Frondizi gov-

ernment has abandoned the independence of action that traditionally has characterized Argentine relations with the United States. This has been most evident in the treatment of the Cuban problem. The Argentine government has been reluctant to support either individual or collective measures against the Cuban regime. The underlying reason for this attitude seems not to be fear of domestic political consequences since the popularity of Fidelismo has been in a decline in recent months. The basic explanation for Argentina's Cuban policy would seem to lie in the belief that the persistence of the Cuban problem assures greater United States responsiveness to Argentine economic desires, not only in securing financing for development plans, but also in the more difficult task of opening up United States markets to Argentine agricultural exports.

President Frondizi's administration, barring a successful coup or other unforeseen development, has a little over two years in which to demonstrate the feasibility of its policies. It remains to be seen whether the economic boom on which his supporters are counting will soon take place, and whether this will lead to a transformation of the atmosphere of uncertainty and tension that has characterized the country in recent years and whose visible index is the prolonged suspension of constitutional guarantees. The 1964 presidential election will probably represent a major decision as to Argentina's orientation in foreign as well as domestic affairs.

A more immediate indication of public sentiment will be provided by elections scheduled for about the time this issue of *Current History* appears. With half of the seats in the Chamber of Deputies up for renewal, the administration is, for the first time, facing the prospect of losing control over that body. Its overwhelming majority won in 1958 was sharply reduced in 1960, and there is a good possibility that the People's Radical Civic Union (U.C.R.P.), the principal opposition party, will gain control. More nationalistic than the U.C.R.I., the U.C.R.P. could create considerable difficulty for the administration in its remaining two years, although continued U.C.R.I. control over the Senate will guarantee against attempts to repeal current policies through legislative enactments.

An electoral reform under consideration as this is being written may yet deprive the

U.C.R.P. of its anticipated gains. This is the bill, already passed by the Senate, to distribute the seats from the major provinces and the Federal Capital according to a proportional representation system. Under the existing Sáenz Peña electoral law, the leading party in the election regardless of its proportion of the votes gets two-thirds of the provincial representation in the Lower Chamber, the runner-up party getting the other third. This system has long been criticized for permitting the leading minority party to obtain an artificial majority of the seats, while denying representation to all but one of the other parties even though collectively they may represent more than half the electorate. The proposed bill, which is limited in its effect to the next two elections, would deny to the U.C.R.P. the traditional benefits of winning first place in the heavily represented districts, where its chances are regarded as best, but in the smaller provinces where the U.C.R.I. has better prospects, the Sáenz Peña law would still apply.

Despite the partisan motives that underlie it, the proportional representation measure with minor amendments might still make a contribution to national harmony. In the first place, it would accord representation to various parties like the Socialists and Christian Democrats that have been denied a responsible role in the legislative process; in the second place, it would make possible a reconsideration of the status of the outlawed Peronist party. Once the possibility is eliminated that the Peronists could acquire two-thirds of the seats, they could be allowed to emerge from the political shadows, where they have been a constant temptation for demagoguery, to play the role to which their electoral strength, currently estimated at from 20 to 25 per cent of the votes, would entitle them. This would remove a major anomaly in Argentine democracy and could lead to national pacification.

Without some such lessening in the internal suspicions and hostilities that are the legacy of the tortured history of the past two decades, the Frondizi policies are not likely to achieve their goal. External aid can greatly influence the results, but the struggle to break out of the vise of economic stagnation can only be achieved, in a free society, by a people confident in its leadership and united by a sense of national purpose.

*Discussing growth and development in Castro's Cuba, this author contrasts the new reforms with the conditions existing under Batista. The long-term "economic and social plans of the Castro regime," this writer concludes, "are ambitious; if successful, they are likely to assure Castro of a long period of power in Cuba and may make Cuba a 'showcase' of socialism."*

# Economic Prospects for Cuba

By DAVID D. BURKS

*Associate Professor of History, University of Michigan*

THE PRESENT government of Cuba<sup>1</sup> is a Marxist-Leninist dictatorship which has become a close and dependent ally of the Communist bloc, a satellite by choice, if you will. The shift from a Western democratic revolution has taken a little less than two years from the time Dictator Fulgencio Batista fled early in the morning of January 1, 1959. During this time, Fidel Castro sought political power for himself by destroying the institutions of a free society and carried out a drastic program of social reform which was only partially Marxist in character.

The Castro regime has selected October 13, 1960, as the date marking the next stage of the revolution, for on that day the government nationalized 382 large businesses as well as a number of banks, committing itself to its present avowed course of Marxian socialism. The shift to the socialist stage has been so rapid that many have had difficulty remaining abreast of the current government line. At meetings now, crowds shout the slogan "We are socialists; forward, forward and those who don't like it will be purged." To this, Raul recently responded jokingly,

"... and those [non-Marxist] leftists, they have remained behind."

The most striking characteristic of the second stage of the revolution is the prominent role of the Communist party of Cuba, the Popular Socialist party (P.S.P.). The Communists during the first stage remained mainly behind the scenes as they worked assiduously to make themselves indispensable to Castro, emerging only slowly. Communist intellectual Carlos Rafaél Rodríguez, speaking at the first National Production Congress in August, 1961, pointedly remarked that he was not there as a government official before proceeding to criticize Guevara and disagree publicly, although respectfully, with Fidel. Blas Roca, Secretary General of the P.S.P., was invited in 1961 to a meeting of the Cuban Confederation of Workers—Revolutionary (C.T.C.-R.) to resolve an ideological dispute about the place of unions in a socialist state. He affirmed unequivocally that the leadership of the workers and the revolution rested in the hands of the Marxist-Leninist party. He was referring, of course, to the new unified party with an élite membership which is being organized by the Communists to exercise the same functions as the Communist party of Russia.

Fidel Castro is still the "maximum" leader of the revolution, though he may talk of collective leadership. His charismatic personality continues to play a dominant part in holding mass support for the regime's pol-

David D. Burks teaches at the University of Michigan's new liberal arts campus at Dearborn, Michigan. A Latin American specialist who has written for the *Hispanic American Historical Review* and the *American Historical Review*, he is engaged in writing a book about the Castro revolution.

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icies, although creation of the new socialist bureaucracy is slowly lessening his importance. The repressive apparatus in Castro's hands is the most efficient and thorough that the Western Hemisphere has ever seen. Its full impact was first felt during the April, 1961, invasion when thousands of suspects were quickly arrested by the Committees of Revolutionary Defense, effectively crushing the underground for some months to come.

The mass organizations, as exemplified by these committees, are one of the fundamental sources of the regime's power. As a low estimate, it can be said that 1.5 million Cubans, or close to 25 per cent of the 1959 population of 6.5 million, belong to these organizations, ranging from the Federation of Cuban Women with 350,000 members, to the Committees for the Defense of the Revolution which seek to enroll 500,000 Cubans. The militia with over 300,000 members is regarded as politically more reliable than the regular army which has in large degree been relegated to construction work. The Association of Young Rebels is a youth group organized in cells located in schools and places of work and has adopted as its slogan "study, work, gun."

This repressive apparatus derives much of its strength from the mass support the Government is yet able to command because of the redistribution of wealth during its first two years in power. Many social benefits, however, are more dream than reality, but the Government itself criticizes its failure to deliver, using such shortcomings as an argument for more production. New urban housing units total only 9,500 with many of them still under construction but other programs, particularly in education, have been more successful. Support for Castro is stronger among landless peasants than among small landowners and union members who have experienced a drop in real income.

The middle class has been eroded by the flight of thousands, but many lower middle class individuals holding positions in the government have identified their future with that of the regime. Although it is impossible to say how much support Castro has, it should be remembered that revolutions are usually made by minorities who lead the great amorphous mass of the people until

they experience an emotional let-down or until an effective counter-revolution offers an alternate choice.

The willingness of the Cuban people to acquiesce in the Castro dictatorship has not been fully tested. The April 17, 1961, invasion did not offer them a clear alternative of social reform without Castro because the invading exiles represented the political continuum from right to slightly left of center. The survival of the present regime depends heavily upon its ability to deliver those economic and social benefits which have been widely and lavishly promised. Castro ignored with impunity his earlier promises of free elections and political democracy, for such things were meaningless to many lower-class Cubans. Economic and social promises he cannot so lightly discard for these are the concrete things which the people can measure.

Will the socialist economy of Cuba succeed? Although such a question is impossible to answer absolutely, evidence can be adduced from the present unhappy state of the economy and from plans for the future. For the next year or so, problems will multiply for the managers of Cuba's economy. Present food shortages will get worse with near famine a possibility, while passive resistance and direct opposition to the government will be more evident.

Sabotage and guerrilla activity have never stopped and the absenteeism rate is growing. The dislocation inherent in moving the bulk of Cuban trade from the United States to the Communist bloc, in diversifying agriculture, and in developing light industry will not be solved in one year nor even in four. But by the end of 1962, Soviet capital goods should be arriving in sufficient quantity to ease a few of these problems. Meanwhile, major industrial problems are the shortage of parts for United States made machinery, inadequate reserves of raw materials, poor planning of production schedules, delays in transportation, and, as Minister of Industries Guevara has said, the belief of the workers that good quality and attractive design are capitalistic vices.

#### Pre-Castro Cuba

An assessment of the economic prospects for Cuba must consider the fact that when

Castro came to power, Cuba did not rank at the bottom of the economic scale in Latin America. Cuba had the third or fourth highest per capita gross national product in Latin America, although it was increasing very slowly. Exports were a high percentage of G.N.P. and sugar constituted a major part of exports, a dependence which placed the Cuban economy at the mercy of sugar prices in the United States and the world market. Even though world prices fluctuated markedly, the United States quota provided a relatively stable income which underwrote the development of other sectors of the economy and a high standard of living for the urban middle class.

Other Cuban assets were a large professional and managerial class which showed considerable skill and a corps of trained, well-paid, unionized workers. The infrastructure of railroads, roads, ports and electric power facilities was fairly well developed. Industry's physical plant was relatively modern and was noteworthy for substantial surplus capacity. There were signs of a shift to light consumer industries before Castro came into power.

Because Cuba possessed many of the essentials for an economic take-off, production could be expanded rapidly with a small additional investment. Agriculture is extensive rather than intensive, permitting increased returns for small capital investments and a larger labor input. By requiring his workers to contribute, after regular hours and on weekends, a substantial amount of "voluntary" (unpaid) labor, Castro has been able to utilize partially used facilities with proportionately little extra labor cost to increase production of some kinds of consumer goods and agricultural products. According to the regime, these increases have been negated by constantly expanding consumption.

Castro has wasted some of these advantages. Many middle and upper class professionals have fled, depriving Cuba of important skills and, at least for the first two years or so of the regime, of investment capital. Special efforts have been made to retain professionals and small business men both by political repression and by small additional economic benefits. In the summer of 1961, the newspapers featured stories on the important place of small merchants, small

industrialists and artisans in the new Cuba. Worried about the appeal of the counter-revolution, the Government gave these elements certain limited property rights, provided new credit, and initiated a program of redressing some of the inequities of rapid confiscations. But the Government has also made it apparent that the role of the middle class is restricted and temporary, conditioned to the needs of the country at this time.

The Government has initiated a forced draft program to develop managerial and technical skills among the workers and peasants. To make certain that these people understand economic problems in a larger ideological context, Marxist indoctrination schools, long standard for the militia, have now been organized separately as the Basic Schools of Revolutionary Instruction. Managers and technicians are picked primarily for loyalty to the revolution and secondarily for job competence. Fifteen technical schools are operating or under construction with two more, to be staffed by Soviet teachers, planned for miners and mechanics. Many other schools at various levels are in operation; for example, chauffeurs' schools are graduating 2,000 truck and automobile drivers every six months.

Unable to temporize, the Government has resorted to promoting the semi-skilled and untrained to responsible positions as in the case of the managers of the sugar cane cooperatives who are former laborers. As leading government figures have admitted in speeches, farm workers fail to maintain machinery properly, chauffeurs operate buses and trucks thousands of miles without checking the oil and water, farm managers waste fertilizer, cabinet ministers do not coordinate, and, in general, there is much waste and confusion.

#### JUCEIPLAN

Planning is one important key to the prosperity of any socialist economy. Formulation and enforcement of Cuban economic plans have been assigned to the Central Planning Committee (JUCEIPLAN) operating directly under the control of Prime Minister Castro and having as members three principal Communist leaders. Under this committee are each of the six provincial planning

bodies and below these the local committees which were in the process of being organized late in 1961. The permanent committees for each of Cuba's six provinces are staffed by from 12 to 16 members representing the ministries most closely related to economic growth, the most important mass organizations, the new unified party, and provincial and local governments.

Modeled on the Soviet GOSPLAN, JUCEIPLAN is a vertical organization which checks on the operation of the ministries of government charged with implementation of the plans. JUCEIPLAN officials have the power to interpose themselves between a ministry and its local officials, to coordinate, to guard against political disloyalty, and to serve as a goad directly in the hands of the top leadership of the revolution.

Economic plans are implemented by the economic ministries. The chief ministry for industrialization is the Ministry of Industries headed by Guevara and divided into four offices: Industrial Construction, Economy, Basic Industry, and Light Industry. The last two supervise the 40 Consolidated Industries, similar to the industrial trusts of the Soviet Union. This ministry and related ones now operate about 75 per cent of the industry in Cuba. The Communist-led labor federation (C.T.C.-R.) functions for all practical purposes as a regular agency of the government. Its duties are to promote "socialist emulation," develop a "socialist conscience" among the workers, transmit to the workers the orders of the revolution's leaders, enforce factory discipline, and take care of workers' recreational needs.

Appearing alongside the unions is a new type of labor organization, the Council of Technical Advisors (C.T.A.), composed of a delegate from each department of the factory. The delegates, who cannot be union officials, advise the management and, in turn, transmit management's decisions to the workers. The labor movement has been resolute under Communist control; reorganization of the C.T.C.-R., now under way, and the formation of the C.T.A.'s are indications of continuing concern.

In agriculture, the Ministry of Agriculture under Santos Ríos bears primary responsibility but handles a great deal of its work

through three basic farm organizations. The National Association of Small Farmers (A.N.A.P.) has a total membership of 200,000 and its members own, along with non-member farmers, about 59 per cent of arable land, all in parcels of less than 166.66 acres. Because he regards A.N.A.P., which is the source of 52 per cent of agricultural production, as less than perfect, Castro has hinted that it will eventually be converted into a collective farming system.

The second basic unit is the cooperative sugar cane farm; some 622 in all are organized in 47 administrative units with 122,500 members and possessing slightly less than 12 per cent of the arable land. The third basic type is the state farm, called Grainery of the People, of which there are 304, holding almost 30 per cent of the arable land and concentrating on food crops and cattle raising.

At the First National Production Congress held in August, 1961, the first four year plan was presented to the people. Here, in the fashion made so familiar by the Russians, major government officials engaged in self-criticism, confessing their errors and promising to do better in the future. The delegates were instructed to return to their fellow workers and convince them of the need to fulfill or even surpass assigned quotas by socialist emulation. There was, of course, no free discussion; all questions were submitted in writing.

The plans of the Castro regime, as announced at this congress, call for an average annual growth of 10 to 15 per cent in the gross national product during the four year plan period from 1962 to 1965. Part of the increase will probably represent the depreciation of the peso rather than actual growth, because the Government has failed to check inflation. The increase in G.N.P. will benefit rural areas disproportionately, with a possible five-fold increase in rural living standards in contrast to the maintenance of present levels of living in urban areas in the face of expected population increases.

In a speech made to a group of 800 peasant women in August, 1961, Fidel said, "The differences between the standard of living in the city and in the country will disappear. The day will come when the country will have houses as comfortable and perhaps more comfortable than the city. The coun-

try will have electric lights, social circles, the advantages and comforts of the city." Although the current line is that Cuba is governed by an alliance of workers and peasants, the latter are favored because they are considered politically more reliable.

#### Long Term Goals

Cuba is stressing diversification of agriculture and the development of consumer industries. Long term goals are difficult to assess because many types of statistics are not published, allegedly because they are not available, but more likely because the Cubans regard such statistics as weapons in the war against "imperialism."

Agricultural plans call for increasing the 1961 investment of 150 million pesos to 200 million in 1962, to boost food production from 17 million *quintals* (quintal = 101.3 pounds) to 25 million in 1962. The fat shortage is to be ended within 18 months, and other food shortages are to be alleviated or eliminated as soon as possible. In 1965, Cubans are to consume twice the 1959 per capita consumption of milk, four times the number of eggs, and 58 per cent more meat.

According to Regino Boti, Minister of Economy, by 1965 Cuba will be the most industrialized country in Latin America on a per capita basis. In 1965, Cuba will produce 975 kilowat hours of electricity compared to 400 per capita in 1959, 100 kilos of steel per capita compared to none in 1959 and three times the 1959 per capita production of cement.

During its first two years the Castro regime dispersed substantial capital resources to increase the consuming power of the people. In February, 1960, however, the Government imposed a four per cent "voluntary" contribution by workers to build an industrialization fund of \$150 million a year. Some of the money thus collected has gone for arms and for the workers' social welfare, including nurseries for working mothers. Although substantial production will have to be allocated to capital accumulation, there will still remain a gap between needs and supply.

Therefore, development plans depend heavily upon Russian equipment, raw materials and technical assistance. Guevara announced at the production conference that

207 factories from the bloc would be put into operation by 1965. The first 107 will cost 811 million pesos, including both imported equipment and the cost of factory buildings. Only two or three factories are already in operation with 19 more due to arrive soon. The Cuban government claims that 73 per cent of all imports in 1961 were for capital goods valued at 386 million pesos. If this percentage holds true for the full four years (1962-1965), capital goods imports will average 300 million pesos a year and the total value of capital goods imports will be at least one billion pesos.

#### Sugar Production

Maintenance of a high level of sugar production is essential for even partial achievement of the regime's economic objectives. In 1959 and 1960, sugar production totaled about 5.7 million Spanish long tons and in 1961 (the first harvest that was managed in its entirety by the government), 6.55 Spanish long tons. The government may fail to reach its goal of a 1962 sugar harvest of 6 million tons because of problems with unskilled "voluntary" labor, breakdowns in equipment of United States origin, inadequate attention to cultivation and shortages of seeds, fertilizers and machinery.

The Cubans need to increase sugar production substantially beyond the six million ton figure in order to finance the four year plan and will have to rely on the bloc to purchase most of the crop. Russia has a large surplus of sugar so that her purchases of Cuban sugar are a political investment rather than an economic one and eventually the Russians will have to dump Cuban sugar on the world market, if they have not already done so.

The International Sugar Agreement, dating from 1959, is now in the process of revision by the 50-nation United Nations sugar conference. However, its meetings were adjourned in October, 1961, after a deadlock over Cuban demands. Because Russia and Cuba are parties to the agreement, all Cuban sales to Russia must come within the quota assigned to Cuba. Cuba has an agreement to sell 4.86 million metric tons annually to the Soviets and wishes to add this to her export quota of 2.4 million metric tons under the present agreement. Such an arrangement will permit her to sell

both to Russia and to other nations belonging to the agreement. Sales to bloc countries other than Russia will be outside the agreement and, therefore, in addition to the enlarged quota the Cubans are demanding. The Cubans hope to sell 1.3 million tons to China and the Communist satellites. Thus it is apparent that Cuba hopes to increase sugar production well over 7 million metric tons.

Sugar will be the major source of foreign exchange but its projected share is to drop from 80 per cent in 1961 to about 60 per cent by 1965 because of efforts to diversify exports. Export commodities which are being stressed are coffee, tobacco, cacao, tomato products, tropical fruit preserves, port, nickel, copper and manganese.

Total exports have declined steadily since the peak year of 1957 until in 1961 they reached, according to Cuban estimates, 529 million pesos. Imports in 1961 were large, perhaps over 700 million pesos, producing a foreign trade deficit of nearly 200 million pesos. The Cubans seek to raise the value of 1962 exports to 799 million pesos compared to projected imports for that year of 800 to 900 million, leaving a deficit. These figures do not include any additional

military hardware Cuba may receive in 1962.

The amount of aid promised to Cuba by the Communist bloc is difficult to value. The prices charged by Russia are not known, but \$357 million seems a reasonable figure. In addition, the bloc is considering granting further credits. Most of this aid will be paid for by sugar and other exports from Cuba. Russia may or may not be covering the gap between exports and imports.

The economic and social plans of the Castro regime are ambitious; if successful, they are likely to assure Castro of a long period of power in Cuba and may make Cuba a "showcase" of socialism. The goal of a 10 per cent increase in G.N.P. will be very difficult but not impossible to achieve provided the Communist bloc assumes responsibility for the deficit in foreign trade and continues its aid in the form of capital goods, raw materials and technical assistance. Much depends, of course, on the changing fortunes of the cold war, because action by the United States or the Organization of American States against Cuba could well make Castro's plans come to naught. The greatest imponderable of all is the morale of the Cuban people; austerity may make them even more loyal, or more disaffected.

"We today share the realization that President Roosevelt expressed in 1944, when he said that true individual freedom cannot exist without economic security and independence, with a system of national independence originated well over 100 years ago and with a policy of friendship and good neighborliness, which was developed in the Administration of President Roosevelt.

"Now, today, in 1961, it is our obligation to move ahead and to bring to fruition the conception that along with national independence and individual liberties goes the well-being of the people themselves. We do not merely talk of slogans of democracy and freedom.

"It is our function here in this hemisphere in 1961 to make it possible for all the people not only to be free but to have a home, to educate their children, to have a job for themselves and their security, and that is what we are determined to do.

"Economic security, the bringing of a better life to all of our people, must now in the 1960's be the principal object and goal of the inter-American system. . . .

"From this day forward, the inter-American system represents not merely the unity of governments that are involved but the unity of people, not only a common goal for a political alignment but a common vow by all of our governments and all of our people to improve man's economic, social and political well-being. Not just an alliance for the protection of our country, but an alliance for progress for our people. We will be in the Nineteen Sixties more than good neighbors."—U.S. President John F. Kennedy, at La Morita, Venezuela, December 16, 1961.

*In a discussion of the slow economic development of Honduras, this author observes that "the theory of economic development which is most popular in Honduras at the present time is that high public investment and rapid economic growth go hand in hand. By emphasizing only one factor in the productive process—capital investment—political leaders free themselves from the unpleasant task of examining their attitude or value pattern to determine whether it facilitates or hinders the union of land, labor and capital required to produce goods and services."*

# Honduras: Dilemma of Development

WILLIAM S. STOKES

*Professor of Comparative Political Institutions, Claremont Men's College*

WHEN THE distinguished leaders of the New Frontier accelerate the expenditure of the \$20 billion promised for Latin American development under the *Alianza para Progreso* program, it is almost certain that Honduras will not be overlooked. This beautiful heart-land republic of Central America provides abundant evidence of economic backwardness.

Probably about 50 per cent of the homes in the country are floorless mud and wattle huts. Although approximately 83 per cent of the people are farmers of one kind or another, only four per cent of the total land area is cultivated. Except for the advanced methods of the fruit companies and a few other farmers, agricultural practices can only be described as primitive. There is only one plow for every 4.3 farms or one for every 14.4 farmers. Most farmers live at elevations of 2,000 to 5,000 feet and grow subsistence

crops. Their productivity is so low that few people can leave the farm to produce goods and services in the cities. Sanitary conditions are unsatisfactory, and many people, especially babies, die needlessly. The many illegitimate children (*naturales*) weaken such social institutions as the family. Although UNESCO reported in 1961 that a 40 per cent increase in enrollment had taken place in elementary education in the past three years, probably 50 per cent of the school-age children of the nation are not receiving any education at all. Many of those in school attend for three years at most. Between 60 and 65 per cent of those 10 years or older are illiterate. About one-half of the secondary schools are located in the two cities of Tegucigalpa and San Pedro Sula.

Roads are inadequate. There were only 24 miles of paved roads in 1955, and there are fewer than 100 miles of paved roads in the entire country today with not more than 700 miles of all types of highways in use. No main highway crosses the country from east to west, and only horse or mule trails can be found in the entire eastern half of the country. The Inter-Oceanic Highway crosses the country from north to south, but parts of it are passable only in dry weather. The railroad lines (fewer than 1,000 miles in use) all operate near the port cities of Puerto Cortés, Tela and La Ceiba and are mainly useful to only one industry—bananas. There is no railroad line to Tegucigalpa, the capital.

Although the hydroelectric potential is

William S. Stokes has taught at several universities in the United States. In 1949 he was a guest lecturer at the National War College. He has contributed articles to many periodicals and chapters in several books. His works include *Latin American Politics* (Thomas Y. Crowell, 1959) and *Honduras, An Area Study in Government* (University of Wisconsin Press, 1950).

estimated at 1,040,000 kilowatts, Honduras has less electric power than any country in the Western Hemisphere except Haiti. No power plant exceeds 5,000 kilowatts in total installed capacity and rates are high. (In 1960, the World Bank loaned \$8,800,000 and the United States Development Loan Fund \$2,800,000 to the *Empresa Nacional de Energía Eléctrica*, a government agency, to help finance the \$14,750,000 Canaveral hydroelectric project near the Río Lindo. The first unit will yield 27,000 kilowatts and the entire project will have 160,000 kilowatts of generating capacity.)

The magnificent hard woods of the rain forest regions and the splendid stands of soft woods, mainly pine, are inadequately exploited. The known deposits of commercially valuable iron ore (about 50,000,000 tons) in the El Nispero region of Santa Bárbara Department are inaccessible due to lack of roads or railroads. Known deposits of zinc, copper and antimony remain undeveloped. Lake Yojoa, one of the most beautiful bodies of water in the world, offers hunting, fishing and exploring, but its tourist potential is untapped. Ocean resources of the north and south coasts are largely untouched.

Only Tegucigalpa exceeds 100,000 in population. Heavy industry is discouraged by the lack of coal and iron ore, and even light industry is not widely developed. As of January, 1951, there were a total of only 3,836 industrial establishments employing 20,379 people with investments totaling 57,344,551 *lempiras* (2 *lempiras*—\$1).

Panama disease and government policy have contributed to the decline of banana production by the United States-owned United Fruit and Standard Fruit Companies. In 1960, about 10 million stems were exported (50 per cent of the country's total exports), and 1961 production might equal the 1958 level of 13.5 million stems. However, Honduras exported 21 million stems in 1931. A 69-day strike, the worst in Honduras' history, began on May 3, 1954. At the height of the strike, 38,000 workers were out, 35,000 of them banana company employees. There is evidence that Communists from Guatemala prolonged the strike. The Fundamental Charter of Labor Guarantees, the first broad labor law in Honduras, took effect on February 16, 1955 (providing for

minimum wages, maximum hours, collective bargaining, social security and other guarantees). Since that time the fruit companies have faced repeated demands for wage increases, resulting in financial losses which may compel them to leave Honduras. This would be a loss to the country, for in addition to providing a large part of the Government's revenues, the companies have offered the highest wages, the best conditions of employment, and most elaborate fringe benefits (education, hospital services, recreation) of any large employer in the country. Perhaps of even greater significance the fruit companies have trained thousands of Hondurans to become skilled workers in various fields.

#### Economic Development

This grim portrayal of economic backwardness can be softened by optimistic review of other data. A strong effort was begun in 1950 to reduce illiteracy, and education continues to receive a large percentage of the yearly budget. The School of Agriculture at Zamorano, founded by the United Fruit Company in 1943, offers free courses in scientific husbandry for 160 students. The country's first income tax law was passed in 1949, and on July 1, 1950, the Central Bank of Honduras (with great control over monetary policy) and the National Development Bank were opened. United Nations technicians studied the forests in 1956 to determine the economic feasibility of a pulp and paper plant which might provide newsprint and paper requirements for all of Central America. In 1961, Congress passed a law establishing forest areas to protect wood, soil and water resources. The International Development Association (an affiliate of the World Bank) extended its first loan to Honduras in 1961, a \$9 million interest-free credit to assist in highway development and maintenance. The \$13.5 million highway project was also assisted by a \$2.5 million loan from the Inter-American Development Bank. When completed, Honduras will have a 62-mile extension of the western highway, linking Puerto Cortés on the Caribbean with El Salvador and Guatemala. The total gross product of Honduras rose 34 per cent between 1948 and 1957.

The *Banco Centroamericano de Integración Económica* was established on May 30,

1961, to encourage economic development and strengthen and unify the Central American common market. The United States was expected to provide ultimately \$10 million of the authorized capitalization of \$16 million. Finally, by 1961, the Government had drafted a four-year development program ("Forward toward Progress") designed to exploit natural resources, improve communications, and expand farm production, the financing to come from internal and external sources (the *Alianza para Progreso*, for example).

On balance, one must conclude that although some developmental progress has taken place, there has been too little at too slow a rate to satisfy the aspirations of both leaders and people. Why has this been so?

I have often heard Latin Americans explain the tremendous productivity and great prosperity of the United States in terms of some single factor, such as fabulously rich resources available for the taking. Productivity is a complicated process, even in simple, preindustrial societies. It never depends upon one single factor. Natural resources (land, water, forests, minerals), capital (factory, farm, equipment, materials, money), and labor (entrepreneurial, managerial, skilled, unskilled) must be brought together to produce the goods and services men desire.

It has already been shown that Honduras is endowed with various types of valuable natural resources. Resources which are lacking can be acquired by purchase or barter from other countries. Honduras has capital. Indeed, there is a far greater capital accumulation in the country than has been used in the past or is being used at the present time. I have personally known wealthy Hondurans who preferred to export their capital rather than invest it in productive activity in their country. Additional capital can, of course, be attracted from outside by appropriate governmental policies. Honduras has labor. If the cultural anthropologists and the theologians are correct, and I think that they are, the people of Honduras have been blessed with as much intelligence, talent and ability as any people to be found anywhere in the world. One would be hard pressed to mention men of greater achievement than José Cecilio del Valle and Francisco Morazán of the independence period. The attainments

of men in public life, such as Policarpo Bonilla in the nineteenth century, and Tiburcio Cárdenas Andino in the twentieth, are outstanding.

#### What Retards Progress?

It is, therefore, difficult to explain the relative lack of economic progress of Honduras in terms of any one of the factors of land, labor and capital. Instead, there is a fourth factor of productivity and hence economic development which must be considered. This is what can be termed the attitude or value pattern of a people. The attitude or value pattern of people is a product of historical experience and the conditioning impact of the social and economic institutions with which the individual comes into contact during his life. Thus, in order for land, labor and capital to be used intensively and effectively, individuals must believe that work—growing, making, creating, serving—is a value of the highest order, something most devoutly to be sought. Individuals must believe that hard work, sacrifice and saving—the process of capital accumulation—represents not only a theoretical ideal but a practical guide to day-to-day living. Conversely, the value of leisure must be rendered unimportant or, for a country which wants rapid economic development, eliminated almost entirely from the culture. There are other attitudes and values which act as catalysts to bring land, labor and capital together for the purpose of productivity, but enough has been said for the moment to establish the relevancy of such matters to the economic conditions of Honduras.

Hispanic culture has traditionally emphasized the value of ostentatious leisure (travel, patronage of the arts, ceremonialism in personal relations, oratory, conspicuous consumption). If leisure ennobles, work degrades, and there is generalized contempt for the kind of labor described in such terms as "manual, productive labor," "menial labor," "physical labor," "labor with the hands," "mechanical labor," and "vile employment." Thus, the highest status in society is likely to be accorded those who live in ostentation without labor of any kind. Historically, the attitude or value that leisure ennobles, work degrades finds its origin in the nature of Iberian society and in the fact that in the

colonial period the menial work was performed by the lower-class colored peoples—sometimes slaves. In addition, however, many Latin Americans reasoned that technology, the industrial revolution, and modern-day mechanistic society tended to depersonalize and hence to dehumanize the individual.

The *pensadores* (high level novelists, poets, essayists, intellectuals) attacked utilitarianism and materialism as inimical to the traditional values of Hispanic culture. The great literature of Latin America does not argue that mechanization and technology are values which Latins should seek and adopt. The institutions of higher learning reflect the prevailing feeling. Although education is greatly venerated, it is sought more for prestige than for its values in utility and training. The most popular curriculae are those producing lawyers, medical men, writers, poets, politicians and others who demonstrate by their titles ("Dr.," "Ing.," "Lic.," "Arq.") that they have nothing to do with the inferior, producing classes.

#### An Excruciating Dilemma

The *pensadores* and the political leaders of the upper-middle classes cannot ignore the problem of economic development, however. The masses of people everywhere in Latin America have become convinced that the word "progress" should have some meaning for them. Their demands for material improvements have compelled political leadership to consider reforms. This has produced an excruciating dilemma.

Capitalism with its principles of private ownership of both producers' and consumers' goods, private initiative and enterprise, the price system or market mechanism, free, fair competition and the profit incentive is without doubt the most productive economic system the world has ever known. Even in recent decades countries such as West Germany and Japan, which have "turned the clock back" to principles of economic liberalism, have achieved far higher rates of economic growth than countries like India or East Germany which have adopted state interventionism, planning, and socialism. However, the values of capitalism have not been self-evident to élite groups in Latin America. Indeed, there is a vast literature

capitalism. The criticism ranges all the way from extreme assertions that capitalism produces exploitation, parasitism, moral perversion and poverty to more commonly-expressed views that it is inefficient and too individualistic to make possible the human solidarity that people in Hispanic culture seek.

The antagonism of Latin American thinkers for capitalism can perhaps be explained in part by the tradition of mercantilism in Hispanic culture. Mercantilism was an economic theory which was designed to enhance the power of the state. Thus, Latin Americans have been accustomed for centuries to the idea that the state should guide and direct various economic activities and promote and protect public and private monopolistic enterprises. Whereas capitalism is unpopular, various theoretical approaches to state interventionism and collectivism have proved attractive to the intellectuals in the modern period.

Lord Keynes' famous treatise, *The General Theory of Employment, Interest and Money*, was published in 1936 and became known and widely quoted in Latin America almost immediately as a source for ideas on how to achieve rapid economic change. What the great majority of Latin Americans found in Keynes was the following: the reason for inadequate production is inadequate consumption. As private enterprise does not supply enough goods and services at low enough prices to raise the material standards of living of the masses rapidly, it becomes the duty of the state to correct this failure. This the state can do easily and quickly by increasing the purchasing power of the people through state spending. The state should spend on public works and also on the creation of new enterprises. When the state spends, employment for a number of people immediately results. The newly-employed workers have purchasing power they did not have before which they spend, and the recipients spend, and these recipients spend, and so on, multiplying the original "good" at stages along the way. If the state does not have the money to spend, it is then the duty of the state to embark on deficit financing. The state should borrow wherever possible, and if this fails, print paper money.

This may be an inaccurate, even distorted, interpretation of what Lord Keynes was try-

ing to say, but many Latin Americans have believed it. Some have, of course, dealt in a more sophisticated way with the "multiplier" (the idea that investment outlay increases spending power beyond the original amount) and the "accelerator" (the contention that a rise in consumption expenditure induces fresh investment) and the relations between the two. Political leadership in Latin America has often acted on Keynesian panaceas to cure economic ills. Borrowing, deficit financing, public spending and inflation are common almost everywhere in Latin America.

The theory of economic development which is most popular in Honduras at the present time is that high public investment and rapid economic growth go hand in hand. By emphasizing only one factor in the productive process—capital investment—political leaders free themselves from the unpleasant task of examining their attitude or value pattern to determine whether it facilitates or hinders the union of land, labor and capital required to produce goods and services.

The new Constitution of 1957 provided for increased governmental centralization, regulation of the economy, and welfare benefits for the masses. President José Ramón Villeda Morales and the Liberal party have attempted to achieve development by government planning, heavy public expenditures, and deficit financing. These policies have so far produced, among other things, a flight of local capital, unemployment, and rising prices. The new labor code and social security law (effective after August 31, 1959) provided for increases in welfare benefits, such as full pay during illness up to eight months, severance pay on similar terms, ten weeks at full pay for pregnant women workers, employer-supported nurseries. The Government's policy was to raise the material standards of living of the masses by increasing their purchasing power and by providing them with welfare programs.

However, one cannot buy what is not produced nor enjoy welfare which does not exist. The present policies of the Honduran government discourage foreign and internal investment and result in decreased production. By producing less, one does not gain more, regardless of minimum wage laws or social security benefits. Other Latin Ameri-

can countries have put into effect similar theories of economic growth. All have had the same consequences, and some countries, like Argentina and Chile, have been brought to the edge of financial ruin. The "Revolución Nacional" of Bolivia (1952 to present) has nationalized more than 70 per cent of the means of production and increased the amount of money in circulation 90 times, but the state has not been able to operate the public enterprises efficiently or profitably. Inflation has ruined thousands of people. Individuals with capital have tried to save it by removing it from the country. The United States has been asked to provide the country with food and large quantities of foreign aid.

As Honduras is an agricultural country, everything possible should be done to increase productivity in this field. When the farms can produce sufficient food for the nation, satisfy export demands, and provide the towns and cities with men and women to produce other goods and services, the country will be on the way to achieving real development.

#### Liberal Land Reform

Although it is not widely known, Honduras has long enjoyed some of the most liberal and progressive agrarian laws to be found anywhere. The first land law after independence was promulgated on March 19, 1829. It provided for the sale of former royal lands. Article 2 of this law limited land sales to 20 units per purchaser. Although on April 26, 1834, each buyer was permitted 100 units, the principle of prohibiting land grabs by a few individuals was maintained. After 1837, individuals could accept public land in payment for loans to the Government and public officials could take all or part of their salaries in land. In 1846, the Government offered to trace ownership and supply titles to people for a very low fee.

In 1835, a land law expressed concern for the first time for the very poor who might not be able to acquire land, even at the low prices the Government asked. This was followed in 1836 with a law making it even easier for individuals and societies to buy land. If this proved impossible then the Government would give land free to communities in the form of *ejidos*. The right of

prescription was recognized in 1872. Any one who went into unoccupied national territory and worked farms there for three years became an owner and was entitled to a legal title from the treasury department.

The first comprehensive land law of the modern period was passed in 1888. Rural communities were granted lands if they needed them at a cost only of the sealed paper and the small fee for surveying. State land could be purchased at low cost, and the law provided for a fair, equitable, and inexpensive system of surveying and granting titles. The law of 1888 was restated, modified and improved in 1898. In 1902, further liberal changes were made. The Government embarked on a program of surveying lands, so that individuals could know in advance exactly how much they were going to receive.

The 1924 agrarian law was actually made part of the constitution. The law recognized all the earlier methods of acquiring national lands, and in addition it provided for the donation of land in family lots of 50 acres each free of charge and exempt from municipal taxes. In 1928, the 1924 agrarian law was amended so as to exempt from compulsory military service and fiscal taxes all those who were renting, purchasing or in any other way receiving national land. Such individuals were also allowed to import duty-free machines and tools for agriculture and cattle raising, gas and crude oil, dynamite, construction materials, blooded animals, seeds, insecticides, and medicines.

In 1935 President Tiburcio Carías Andino signed an executive decree establishing a rural colonization plan. Immigrants were invited to come to Honduras to make their homes. The Government offered 50-acre plots free of charge, and in addition agreed to supply tools, animals, seeds and other equipment to get started without cost to the individual. The 1936 law was mainly a copy of the statute of 1924 with improvements in wording and administration. The sale of national lands was greatly liberalized, however. In addition, the individual could rent national land for from 5 to 20 cents per acre per year. The principle of limitation of size of landholdings remained. Each individual could only rent 250 acres for agricul-

ture and 1,000 acres for cattle raising. Exception was made if the individual or company could prove that he had the capital and know-how to use larger acreage; if so, in theory he might even receive up to 2,500 acres.

Under these and other laws practically all Hondurans—no matter how poor—have been able to own land. With some few exceptions, they have not become wealthy, but the system of family farms has surely tended to modify the authoritarian values of Hispanic culture. Equality, tolerance for the rights of others, and most important of all, a feeling of individual dignity and independence are entrenched in Honduras. In 1961, the *Instituto Nacional Agrario* was empowered to centralize agrarian studies and prepare a reform bill. Will the planners build on the liberal land laws of the past and preserve the family farm or will they move more in the direction of the collective or state farm? Relatively simple technological changes could increase agricultural productivity rapidly in Honduras. The widespread introduction of the iron or steel plow, the horse collar, and the four-wheeled cart would result instantly in dramatic increases in the production of food and fiber. Many people probably would like to impose such changes through centralized governmental authority. However, such changes can also be produced by voluntary means. Almost without doubt the most important contribution any government could make to agriculture in Honduras would be to build roads so that farmers can see the value of producing not only for subsistence but for money in markets within reach.

In a broader sense, Honduras must decide whether to build interventionist and collectivistic policies on the vestiges of the mercantilism of the past or remove many governmental restrictions, restraints, and controls and depend on a free economy. Although Honduras must assume responsibility for its decisions, it is inevitable that a vast spending program such as the *Alianza para Progreso* will bring with it a deep and pervading influence from the United States. In an indirect way, therefore, the United States must bear some of the responsibility for what is to happen in Honduras.

*In a frank discussion of Brazilian development, this author observes that "the parliamentary system, with which modern Brazil has had no previous experience, can survive only if the leadership can maintain the uneasy balance of power between the wealthy landowners and the richest of the new industrial and commercial elements on the one hand, and the rising working groups and the public bureaucracy on the other. Actually this will mean survival largely by inaction. . . ."*

# Politics and Economics in Brazil

By JOHN J. JOHNSON

*Professor of History, Stanford University*

THE success or failure of President Kennedy's "Alliance for Progress" may well rest with Brazil. This responsibility, if so it may be considered, came at one of the crucial moments in that nation's history. Just as the "Alliance for Progress" was launched, Brazil's political and economic systems were submitted to intense strains. These strains, from which the nation will not easily recover, certainly will prevent Brazil from providing hemispheric leadership at the level foreseen when the "Alliance for Progress" was formulated.

Extreme pressures on Brazil began when unpredictable, dramatic Jânio Quadros rocked the Brazilian people and most of the rest of the informed world by resigning from the presidency of his country late in August, 1961. This surprise maneuver led to a swift decision to make Brazil into a parliamentary government, theoretically at least, vastly strengthening the role of Congress. It is doubtful that the present crop of Brazilian congressmen possesses either the vision or the will to cope with the social and economic crises that confront their nation. Jânio Quadros, perhaps, possessed those qualities.

John J. Johnson is a specialist on Latin American history. He is the author of *Political Change in Latin America: The Emergence of the Middle Sectors* (Stanford University Press, 1958).

Had he been made of sterner stuff he might have channeled the relentless forces now on the move in Brazil; the same kind of forces brought Castro to power in Cuba.

Quadros was inaugurated on January 31, 1961, and held office for approximately 7 months. Both as a candidate and as a president he behaved in such a manner that the Brazilian people expected the unexpected from him. A political maverick who was sought out by the political parties with which he worked on his own terms, he proved a brilliant and tireless campaigner. His speeches underlined his profound concern for the poor and his deep distrust of entrenched privilege and vested interests. He also proved a master at sophisticated ambiguity and calculated ambivalence. The voters responded to his highly personal approach to politics by giving him the largest popular vote ever accorded a candidate for public office in Brazil.

As president, his disdain for machine politics prevented him from attempting to form a working coalition in Congress. There a dozen parties were represented and the opposition was in control. To the end he sent bills to the legislature and invited congressmen to consider them on their merits. The invitations were accompanied by an implied threat that Quadros would go to the people if his recommendations were rejected. His faith in the popular masses proved to be his Achilles heel. When he submitted his resignation to Congress and flew off to São Paulo, he waited at the airport for his followers to

arise and demand his return to Brasilia. But he was bitterly disappointed. The public was surprisingly apathetic. On the other hand, Congress, with undue alacrity, accepted his resignation and within hours citizen Quadros was on his way to the port of Santos from which days later he sailed to Europe.

Congressional opposition to President Quadros had been building almost from the time he took office. Important congressional elements, including the Brazilian Labor party, headed by then vice president and now president João (Jango) Goulart, fought Quadros' efforts to uncover corruption and graft in government, to institute economic austerity in an effort to halt spiraling inflation, to restore foreign confidence, and to break the grip of Communists in the labor unions. The right-of-center groups, including members of the National Democratic Union (U.D.N.) that provided the organizational support for his election, opposed his efforts to create a tax system that would put greater burdens on the "haves" and would provide incentives for increasing production. Congressmen representing the landholders and land speculators refused to listen to his recommendations for agrarian reform (it is true that they were not well thought out). But in the final analysis, it was his foreign policy that determined the center-right decision to take advantage of the opportunity he offered when he indicated his willingness to surrender office.

#### Quadros' Foreign Policy

Ex-president Quadros' forays in the international field will be the subject of debate for some time to come. Here an attempt will be made to recapitulate only the highlights of his short but stormy career as a foreign policy-maker. But before doing so it should be noted that while no one need condone all of President Quadros' policy decisions, nearly all of them were understandable within the framework of Brazil's national aspirations.

Quadros may have behaved as he did in the international field in the belief that if he pushed a foreign policy favorable to the left, that element would be more amenable to his domestic program of economic austerity. But like many Brazilians, he also firmly believed his nation was ready to assume an affirmative

and independent international position that would permit it to help lessen world tensions. In fact, it now appears that he was obsessed with the idea that Brazil was mature enough to assess situations for herself, no longer required tutelage from any country, and could take her place with the great powers of the globe. "A nation heretofore almost unknown is prepared to bring to bear on the play of world pressures the economic and human potential it represents, and the knowledge reaped from experience that we have a right to believe is of positive value," is the way he identified Brazil's possible contribution to world understanding in an article that he wrote for *Foreign Affairs* in October, 1961. Thinking as he did he had no difficulty in justifying to himself his policy of "interested neutralism."

There is no denying that Quadros' relations with Cuba and the other Communist countries were warmer than Brazil's professed role of "neutralism" required. Throughout his brief term Quadros held steadfastly to the principle of self-determination of people and on the basis of that principle not only opposed any type of intervention in Cuba but became something of a champion of Castro. Within days after taking office he served notice that Brazil would support the debate on the admission of Red China into the United Nations. Soon thereafter he was sending trade missions in all directions behind the iron curtain; trade treaties were signed which, if fulfilled, would increase trade with the Communist bloc by 30 per cent. In recent years Brazil's trade with the iron curtain countries has amounted to less than six per cent of its total international trade.

Another facet of his thinking on foreign policy is illustrated by the expression, "when you sneeze we catch influenza." This expression, which suggests Brazil's economic inferiority, is commonly heard in discussions of United States-Brazilian economic relations. Quadros was determined to reduce Brazil's economic dependence on the United States. He realized, as did numerous other Brazilians, that Brazil's exports to the West were not expanding rapidly enough to provide the foreign exchange necessary for the accelerated rate of industrialization Brazil requires to cope with its burgeoning population. Ele-

ments, including those belonging to rightist parties, felt that Brazil had no choice but to go behind the iron curtain to find markets. To do otherwise, they reasoned, would be to ignore both Brazil's requirements and the dynamism of the Communist bloc countries.

In regard to trade with the bloc countries, Quadros made his position clear when he said that Brazil needed markets and would go out and get them—at home, in countries under democracy, and in those that have joined the Communist system. "Material interest knows no doctrine," he said. He opened negotiations which, in November, 1961, led to the renewal of relations with the U.S.S.R. after a 14-year lapse. He rather gratuitously withdrew recognition from the non-existent governments of Latvia and Lithuania. Before Brazil could feel the impact of the announcement that the United States, certain countries of western Europe, Japan, and the International Monetary Fund had presented Brazil with a \$2 billion package of new credits and debt deferments, the announcement that Marshal Tito of Yugoslavia had accepted an invitation to visit Brazil was fed to the press.

Quadros culminated these acts of friendship towards Cuba and the Communist bloc by showering attention on Castro's pro-Communist United-States-baiting lieutenant, "Che" Guevara. More conservative Brazilians took his attention to Guevara as an affront. The fact that it came when the President was showing signs of intolerance and an unhealthy interest in greater power (it was charged that he wished to recess congress until after the October, 1962, elections) was more than they could stand. High officials in public life in the military, and in the Church let their indignation be known. It was in retaliation against the protests of these elements that President Quadros submitted his resignation.

#### An Unpleasant Dilemma

This action posed a dilemma for Brazil's decision-makers. Quadros was "upsetting," and few of them were sorry to see him go. But his legal successor, labor-wooing, fellow-traveling João (Jango) Goulart, was "too red to rule." Probably mistrusted by majority elements of the middle and upper sectors, Goulart was, in particular, *persona non*

*grata* to the Army, Navy and Air Ministers. They interfered extra-legally to bar him from the presidency and in so doing started what might be called the "war of the succession." They also raised the cry of "democracy tutored by machine guns" from disillusioned Brazilians who resented political tactics reminiscent of a banana republic.

This interference in civilian affairs on the part of the military swung many of Goulart's bitterest enemies temporarily to his support. With constitutionalism on their side, the Goulart forces, headed by Goulart's brother-in-law, Leonel Brizola, governor of Rio Grande do Sul, threatened civil war. The army split over the issue. Almost overnight the congress, by way of a compromise, converted Brazil's government into a modified parliamentary system reluctantly sanctioned by the armed forces. The powers of the president were truncated to the point where it was felt that the office could be entrusted to Goulart.

In another compromise—the Brazilians take great pride in their ability to harmonize their political differences—Tancredo Neves, a moderate-socialist, militant Catholic, was chosen as prime minister and formed what has been called a center-right-left government. More compromise! With Vargas' old Labor Minister in as president and his old Minister of Justice as premier, and the two political parties he founded—the Brazilian Labor party and the Social Democratic party—in control of the congress and dominant in the new cabinet, Brazil was once again under the control of groups who, since World War II, had done little to alleviate its most pressing problems.

The parliamentary system, with which modern Brazil has had no previous experience, can survive only if the leadership can maintain the uneasy balance of power between the wealthy landowners and the richest of the new industrial and commercial elements on the one hand, and the rising working groups and the public bureaucracy on the other. Actually this will mean survival largely by inaction—the renewal of relations with the U.S.S.R. does not alter this situation—no matter how much talk there is of development, stability, integration, justice, austerity, and the need to encourage private initiative and to strengthen the federal sys-

tem. Can such a government restore the confidence and hopes that the voters showed when they gave Quadros his thumping victory. This observer thinks not. Rather, Brazil may be expected to drift until an attractive and appealing personality emerges. Will that personality be Goulart?

As this piece is written Quadros has been out of office three months. Any effort to evaluate developments during that period or to estimate what is coming, except in most general terms, will be hazardous. Still the situation warrants a hard look. Such a look is attempted below, but with the full knowledge that such evaluations and estimates quite often go awry.

### Political Futures

The long-range political futures of at least three individuals—Quadros, his predecessor in the presidency, Juscelino Kubitschek, who is now Senator from Minas Gerais, and Jango Goulart—were affected by the crisis. Quadros was charged with treason for deserting his people. The U.D.N. that supported him in his campaign highly disapproved of his foreign policy. But the memories of Brazilian voters are notoriously short. Some consider congress to be his enemy; others propose that Quadros should run in the congressional election scheduled for October, 1962, and after his expected victory should become Premier. Quadros could probably be elected congressman from any number of districts. But with Goulart and the Brazilian Labor party solidly against him and large segments of the Social Democratic party and the U.D.N. opposing him, all of which seems likely, he will probably have to wait at least until the next presidential election to regain the spotlight. He cannot now be ruled out as a candidate in 1965. The U.D.N. turned to him in 1960 because it was desperate for power after being constantly in the opposition since the return to party government in 1945. The U.D.N., or some other pragmatic party, may be desperate in 1965 and Quadros may provide the needed glamour.

Kubitschek hopes that come 1965 he will be the choice of his party and of the people. He had his eye on the second term even before he completed his first one in January,

1961. Over all, he probably suffered setbacks during the transition following the resignation. He showed that he miscalculated the military's influence and steadfastness when he warned Goulart that the armed forces would not accept him under any circumstances. This miscalculation had the effect of making it appear that he was ready to accept, without a struggle, the extra-legal action of the military. Then, in the brief battle over parliamentarianism, Kubitschek was deserted by many within his own party and finally ended up in a distinct minority. For reasons suggested below, his opposition to parliamentary government may turn out to be in his favor.

Goulart was the only one of the three to come out of the hassle stronger than he entered it. He is President. He can veto bills passed by any majority of less than 60 per cent of congress. Since he is leader of the country's third largest political party, it is hard to conceive of him as a figurehead president. He will keep himself before the working classes and since there is little likelihood that labor will benefit from any measures taken by the present government, he will be in a position to strengthen his own role by heaping abuse on an inept congress.

It is probable that Brazil will tire of parliamentary government rather rapidly. If it helps to keep Goulart's actions circumscribed, which this author doubts that it can, it will have served its purpose in the eyes of those who supported the change. Under either circumstance it is not difficult to foresee a return to strong presidentialism by 1965.

Brazil's foreign policy under the present regime will, in general, reflect pretty well the foreign policy line of ex-President Quadros, but perhaps without many of the exaggerations and provocations of Quadros. As noted above, Brazil has already renewed relations with the U.S.S.R. Brazil will continue to strengthen its trade ties with the Communist bloc nations. As yet, Brazil's position on Cuba has not changed basically. Should Goulart emerge dominant over congress, there could be a sharp turn of events that would lead to increased independence of the United States and closer relations with the Communist bloc. The very least that can be anticipated is that Brazil will threaten such action in the expectation that the United

States will offer more financial assistance. It appears that the Brazilian Communists will benefit from the change in government. From the scattered bits of information on this particular subject it seems that the Communists are definitely infiltrating the public bureaucracy perhaps at an impressive rate. Goulart retained considerable appointive power when he bowed to the parliamentary system. He owes the Communists, whose electoral support he has welcomed enthusiastically, important political debts. If he does not openly support the naming of Communists to public offices, there is little reason to expect he will take seriously his constitutional responsibilities to keep them out of appointive positions.

Under these circumstances it seems safe to say that Brazilian Communists have not worked under such favorable conditions since the beginning of the cold war. Parenthetically it might be added that Brazilians, as well as most other Latin Americans, still do not understand that Fidel Castro disproved the old thesis that the United States would have to be rendered helpless before serious efforts could be made to create Communist dictatorships of the proletariat in this hemisphere.

It is particularly difficult to evaluate how the armed forces weathered the storm they raised by interfering extra-constitutionally when Quadros returned to private life. Up to that time the Brazilian armed forces had a rather impressive record of defending the constitution, a responsibility with which they were charged by the constitution itself. Their record of defending the constitution and of leaving to civilians the direct responsibility for running the government, created for them a public image enjoyed by few if any other military establishments in Latin America. Given this relatively favorable image before the developments of last August, it would appear that public esteem for the armed forces probably has declined.

In this light, their ability to force a change in the system of government, and in general, to influence decision-making at the national level is diminished. At least over the short range they will have to take into consideration the fact that they cannot run rough-shod over the sensibilities of the public without confronting significant opposition or being

responsible for the appearance of Castro-like bands in the rural areas. The role of the armed forces may be reduced still further if the government feels strong enough to remove officers from highly lucrative, policy-making positions in the state-owned economic and welfare institutions and agencies. In brief, their recent meddling in politics may prove a costly victory both for them and for Brazil.

#### **Economic Difficulties**

Brazil's economic problems are staggering. Name any economic malady confronting an emerging nation and Brazil is likely to have it in acute form. Some of Brazil's problems, however, are bigger than others. Only the major ones can be touched on here.

Brazil's rate of inflation is as sharp as it is anywhere in the hemisphere. The presses printing unsecured paper money have been running hot for years. The nation's monetary unit, the cruzeiro, began the year 1960 at 200 per U.S. dollar, and was at 270 per U.S. dollar just before Quadros resigned. All hope of monetary stability disappeared when Quadros left office; the cruzeiro responded by rising to 325 to the U.S. dollar before the end of August; to 350 per U.S. dollar by December 1. In 1960, the cost of living climbed by 35 to 40 per cent. During the first five months of 1961 it rose an additional 11 per cent. The figures are not available for the last half of the year but when they become available they will show the cost of living rocketing upwards. Goulart, with considerable justification, has been called one of Brazil's prime architects of inflation. He will offer little resistance to pressure from labor and the bureaucrats for wage increases, or to the demands of the agricultural producers for continued subsidies.

Inflation and economic instability have seriously reduced the availability of investment capital. Domestic capital is fleeing the country at a shocking rate. During late 1961, it was estimated that a billion dollars worth of Brazilian capital was invested abroad or deposited in foreign banks. Foreign private capital showed great reluctance to enter the field in the face of economic uncertainties and slogans that were rich in nationalistic overtones. New United States private investment in Brazil in 1959

amounted to \$218 million, and to \$95 million in 1960. Figures for 1961, when they are compiled, may show that new United States private investment during the year hit a low for the post-war era.

Meanwhile, Brazil's population, already over the 70 million mark, is expanding by more than 1.8 million a year; approximately one-half million enter the labor force annually. The nation's agricultural and industrial sectors are not growing rapidly enough to provide employment at reasonable levels for such large numbers of new workers. Per capita income currently is running at less than \$200 per year: statistics mean little, millions are earning as little as \$50 a year. The job of the Communists and Fidelistas, who have infiltrated the labor movements and are active among rural workers, is eased by such conditions.

Coffee, which produces only five per cent of the gross national product, year after year earns over 60 per cent of the nation's foreign exchange. Such heavy reliance on a single export commodity suggests economic immaturity. The world's demands for Brazil's coffee have not increased nearly so rapidly as have Brazil's demands for raw materials and capital goods produced abroad. This has led to heavy borrowing—\$3.5 to \$4 billion when Quadros took office. The \$2 billion loan arranged by the United States eased the situation temporarily, but just about everyone who views Brazil objectively has conceded, or is ready to concede, that the nation's plight can no longer be resolved by foreign credits alone.

Coffee also figures prominently on the domestic scene. In recent years approximately 50 per cent of the inflation has come from attempts to maintain stable market prices for all growers and to protect high cost producers. For example, the cost of producing coffee in Paraná is one third that of Minas Gerais or São Paulo. There is enough production in Paraná alone to throw the world market out of balance. Sub-marginal areas, meanwhile, struggle along with government subsidies. Were it not for the political power of the land-holding sectors, this situation would be considered intolerable in view of the need for a healthy, diversified agriculture. Withdrawal of support (it is being considered) for high-cost producers would

be a major economic victory at this time, despite the fact that producers would have to be aided as they shifted to new crops.

Agrarian reform is a crying need that offers no simple solution. Technological modernization, wider use of fertilizers, better transportation, more storage facilities, irrigation, credit, more and better trained agricultural experts, and land redistribution need attention. At the moment the north-east, called a "drought-stricken poorhouse," is the center of attention. With one-third of Brazil's total population, with an infant mortality rate of 330 per 1,000, and a per capita income of less than \$100 per year, this vast area (twice as large as Texas), long a festering sore.

This latter condition has been primarily the work of a state deputy from Pernambuco, Francisco Julião, an admirer of the agrarian policies of Fidel Castro and Mao Tse-tung. Julião has been instrumental in forming over 100 peasant leagues, whose membership contains some of the most wretchedly poor of the world. Clashes with the police have taken place. Some governors have felt compelled to recognize peasant claims to the lands that they have squatted on. Rehabilitation of the area has been turned over to imaginative, tough-thinking, Celso Furtado, who is branded a Communist by the land-holding elements. His proposals, which involve revolutionary changes in land ownership and production, an initial relocation of 100,000 persons, construction of access roads, and the introduction of light industry, are minimal. He foresees the need of relocating at least one million persons before the project is finally completed.

Furtado frankly states that he expects assistance from the United States in the amount of at least a half billion dollars. In late 1961, Merwin Bohan, as special United States ambassador, was in the area as the head of a seven-man team to appraise the situation. Expressing a feeling of urgency that can well be appreciated by those aware of conditions in the area, he reportedly observed that the program for the north-east may be the key to whether the "Alliance for Progress" will succeed or not.

Brazil's tax structure is badly in need of modernization, or, alternately, those who benefit from the present system must be made

to keep their money in the country and invest it in industry rather than urban real estate. Historically, taxation in Brazil has been regressive, partly because the wealthy have control of the government, but also because it was felt that since little could be saved, those who could save in relatively large amounts should be permitted to do so. Such a policy assumed that those who saved would reinvest their savings. But that is not what happened in numerous instances. Witness the flight of capital during 1961.

If savings are not invested at home then, in terms of Brazil's national interest, they are valueless, and the government probably should institute a more equitable income tax that would put a greater burden on those with wealth. Such a tax would be largely meaningless unless it were accompanied by legislation that would make tax-evasion punishable by heavy fines or harsher penalties.

Brazil's situation is desperate, but not impossible. The nation has shown a remarkable capacity to resolve its social problems. As ex-President Quadros observed, the world might learn considerable from the way that his country has brought American, European and African together in workable social arrangements.

Brazil is as politically mature as any country in Latin America. No other major country in the area has the background or political sophistication to make the shift from presidentialism to parliamentarianism in the peaceful manner that Brazil did. It has several parties that are national in scope. It has broadened its electoral base to the point where approximately 16 million in a total population of 70 million qualify for the vote. The record also indicates that Brazil's army is more responsible than its action of August 1961 suggests.

With only 10 per cent of its cultivable land under the plow, it is already the world's leading producer of coffee, bananas, and beans. It is also the world's second largest producer of oranges and hogs, its third largest producer of corn and sugar, and its fourth largest producer of cotton. Brazil, however, is a heavy importer of wheat. Each year a large share of its foreign exchange earnings goes to pay for that essential commodity.

Brazil is rich in mineral wealth: its iron ore deposits contain one-third of the world's

known reserves; its manganese reserves are among the richest in the world. It may lack rich petroleum deposits. The confidence of a few years ago has been largely dissipated. Petrobras, the national oil monopoly, has not had the administrative or financial capabilities to make the search that will have to be made before Brazil's petroleum resources are finally known. Brazil imports \$250 million worth of petroleum products each year. Uneven distribution and serious deficiency in transportation are important obstacles to the development of the mineral resources.

Industrially, Brazil has reached a stage where it can absorb capital rather rapidly. Almost any listing of its productive capacity is impressive. At Volta Redonda, Brazil has the largest integrated iron and steel plant in Latin America. It already has sufficient capacity to produce automobiles, trucks and railroad cars to meet its present needs and is searching for export markets. Brazil has reached the point where it refines nearly all of its petroleum products. It produces nearly all of its pharmaceuticals and is developing a heavy chemicals industry. Its electronics industry now provides a vast share of all household appliances sold in the country. It produces practically all of its textile requirements. Major strides have been taken in paper manufacturing. Brazil has one of the world's largest labor forces, whose productive capabilities could be readily increased through vocational training. The nation hasn't enough technicians and engineers.

Brazilians laughingly call themselves a race of people who can live on air, optimism and promises. They may be right. Their condition may not be so critical as it appears to be from the outside. But if they are in as much trouble as they seem to be, a word of warning is in order: the United States cannot afford to let Brazil collapse financially. Brazil has an important role to fill in the world and in the hemisphere. Its cultural and material interests are essentially Western.

Our patience with Brazil will be severely tested, as will Brazil's with us. By working with Brazil we may come to understand better the leaders of those emerging nations caught between the surging masses and the propertied classes. The stakes are high. It would be blind folly for Brazilians to forsake us or for us to forsake the Brazilians.

*In a comprehensive examination, this specialist writes that ". . . in spite of economic disparity and social cleavage in Andean America, one general observation is inescapable. There is a certain improvement in the standard of living among the middle class, which is striking to an unbiased observer revisiting these countries after ten years. The introduction of modern techniques and gadgets as well as of new European and especially North American customs has had an impact on the urban mode of life. . . ."*

# The Development of Andean America

By EDMUND STEPHEN URBANSKI

*Associate Professor of Latin American Literature and Civilization,  
University of Buffalo*

THE ANDEAN countries, Bolivia, Ecuador, Peru, Colombia and Chile, constitute an important sector of South America, with their joint territory embracing around 23 per cent and their population, 20 per cent of the total in Latin America. In many ways they are unique in the southern part of the Western Hemisphere. Their social and economic as well as political development has to be considered as part of the general metamorphosis through which all Latin America has been passing since the end of World War II and especially during the last decade.

The Andean bloc of Spanish-speaking nations presents a mosaic complexity of problems which is perhaps more acute than in other countries because of its ethnic structure, i.e., the predominance of Indians. About 40 per cent of the total 25 million Latin American indigenes live there. Also a factor is the emerging social and political fer-

ment which exists among the Andean lower middle class *mestizos* and even more so among the poor peasant masses who hope for social justice and a leveling of their traditional economic inequality. This unrest, suppressed for a long time by the political maneuvering of the local oligarchies with the backing of opportunistic militarists, is bound to explode sooner or later in most of the Andean area. Socio-economically it can be compared with that of the Caribbean region where radical changes are already taking place (Cuba, Dominican Republic).

This comparison is especially valid in the case of Bolivia, Chile and Peru where increasing inflation unmatched by meager salaries, and a low national income have become burning national issues. Furthermore, the situation in these typical *latifundista* countries is aggravated by the lack of a rational tendency toward some kind of agrarian reform. Such accumulated discontent has already led to a social revolution in Bolivia with a successful *coup d'état* in 1952. Although it did not solve their over-all economic problems on a national scale, the Bolivian agrarian reform at least made land available to the Indians for cultivation and assured them constitutional rights they lacked previously.

Next to Bolivia, Chile has the highest cost of living in the Andean region, and it is constantly rising. This is due to a tremendous

Edmund Stephen Urbanski has been engaged in Latin American studies for 20 years. He has spent eight years in Latin America; in 1959 he was in Andean America for several months under an O.A.S. research grant. He has published three books in Spanish, including *Los eslavos ayer, hoy y mañana*.

lack of balance between industrial and agricultural production caused by the large uncultivated acreage of the *fundos*, i.e., big estates, with a consequent food shortage. The uncompromising attitude of the Chilean *latifundistas* has been constituting a serious threat to the precarious national economy for many years and is responsible for social disturbances on a national scale.

Considerable restlessness can also be observed in Colombia. There, as a result of a long political struggle between the Liberals and the Conservatives, an undeclared civil war, which still causes major domestic chaos, has taken a heavy toll of human life. Part of this chaos, despite the existing *minifundia* in Colombia, seems to rest in the impoverished sectors of the *mestizo* peasantry which is pressing for further agrarian reform.

Perhaps this tendency is less apparent in Ecuador, where the slow but firmly expanding banana agricultural program has been able to attract more Indians and mestizos into the national economy, although it has not arrested the major economic difficulties of the country. Generally, they stem from the inflation prevalent for some years throughout the Andean region in varying degrees. Some countries, in their attempts to contra-arrest the inflationary trends, have been able to enforce price controls on certain commodities and restrict their foreign imports. Others have not been able to cope with the situation even by "patching" their unbalanced national budgets with foreign loans or other drastic internal measures.

All these factors and events contribute to the agitation of the emotional Andean people and are responsible for the infrequent though seemingly genuine outbursts of political violence and social unrest. In the past they were easily checked by the strong hands of governments of the more or less "directed" democracies. Today such steps in most cases bring about some kind of dramatic protest which appears to be caused by the emerging social consciousness of inequality of treatment. This is either a consequence of certain improvements in education, or of foreign-imbued indoctrination by agitators and self-styled reformers, or a combination of all these factors. Sometimes, however, it is a mistake to grant too much credit to Communists for such agitation, especially when dis-

content and despair cause a genuine protest against the semi-colonial system of exploitation, which easily ignites the Latin American spirit of rebellion.

#### Parties and Unions

As elsewhere in Latin America, the focal centers of radical ideas in the Andean region rest either in political parties or more often in trade unions. Since World War II the Latin American labor movement has grown considerably and asserted more power, except under prolonged dictatorships such as in Argentina under Perón and in Brazil under Vargas, where it served as a political tool for the patronizing governments. As early as 1945 the general *Confederación de Trabajadores de la América Latina* (C.T.A.L.) claimed over four million members in 15 republics, not counting certain regional entities which dissented because of the C.T.A.L.'s outwardly Marxist leadership under Lombardo Toledano. The strongest labor organizations which have grown since then, in addition to those in Argentina and Brazil which have made their "comeback," have been in Mexico, Cuba, Chile, Colombia, Peru and Venezuela. Those in the Andean area possess a considerable membership. This in itself is significant in depicting the dramatic struggle of labor's new status and expectation of socio-economic changes.

As mentioned before, wherever these syndicates are permitted to operate freely, they act effectively. This is particularly true of the powerful *Confederación de Trabajadores de Chile*, which through its one and a half million members (1960) practically dominates the labor legislation and influences other domestic affairs of the country. It looks as if the C.T.Ch., in combination with its leftist-gearred political alliance, is steadfastly guiding Chile toward a socialist welfare state. Likewise powerful since 1952 have been the Bolivian miners' and peasants' unions which carry out their radical reform programs under the political wings of the omnipotent *Movimiento Nacionalista Revolucionario* (M.N.R.). Since the elimination of the political patronage of the armed forces, the *Conferación de Trabajadores Bolivianos* emerged as a militarized trade union which is meddling in all state affairs. Due to Marxist ambitions, which are either beyond

the government's control or meet with its full consent, the C.T.B. brought the "shaky" Bolivian economy to a deplorable level, unjustifiable even in view of certain progress in the agrarian rehabilitation of the indigenous population.

Not to be underestimated in political influence is the Peruvian labor movement, an important sector of which has been ideologically integrated with the *Alianza Popular Revolucionaria Americana* (A.P.R.A.). This party, started initially on a Communist basis, has undergone serious changes. Moderate in international affairs, in domestic matters it advocates the distribution of the large estates among the millions of penniless Quechua Indians and their integration into the economic life of the country. In spite of A.P.R.A.'s frequent ban from Peru's national horizon, synchronized by the exile of its aging leader, Victor R. Haya de la Torre, the *arpistas*' impact was strongly felt in their support of President Prado's election in 1956. Although this party never achieved practical power, its aims still enjoy popular support in Peru.

An increase in social weight, although at a slower pace, is exercised by the Colombian trade unions. This is due mostly to the current Liberal-Conservative coalition government, whose President's exemplary devotion to truly democratic institutions encourages their free growth. Thus is President Lleras Camargo trying to heal the political and economic aftermath of his two predecessors whose totalitarian-like methods caused an estimated loss of 100,000 lives in an undeclared civil war. Still open, of course, is the agrarian problem which cannot be easily settled by short-range policies in order to satisfy the demands for farmland distribution of the soil-hungry Colombian peasants. No less persistent are demands for better living conditions by workers' unions which are extending their control over newly established industries in Colombia.

#### Other Causes of Unrest

Although it is difficult to divorce the labor movement from politics, one of the weaknesses of Latin American unions in general has been the frequent entanglement of their leaders with national issues beyond syndicalist scope. This deviation occasion-

ally has delayed more effective labor legislation, collective wage bargaining or better working conditions. Nevertheless, in spite of the low standard of living of the working class, the South American labor unions have to their credit several achievements of various degrees.

Differing from ours, however, is their orthodox approach to the labor-management relationship. They still consider capital as their enemy which, justified or not, explains their hostile attitude toward foreign as well as national industries. Sometimes tragic results are caused by the unionists' ignorance or unwillingness to accept modern working techniques. Illustrative was the 1960 workers' strike to protest the installation of time clocks at Grace Company's sugar and cotton plantation in Paramonga, Peru. As a result three persons were killed and 19 wounded in a clash between police and strikers.

A deeply-rooted psychological trait which is still prevalent in the Latin American mentality, as it was some decades ago in the United States and Europe, is to regard the working class as a kind of social outcast. It is easy to assume that this unbecoming attitude is resented by the masses, whose confused image of democracy's purposes becomes more confused if not dubious. At any rate in the midst of general ferment and on the threshold of serious changes, this attitude does not make the matter any easier.

Much explosive powder in Andean politics is accumulated in the university students' organizations which traditionally have been centers for dissemination of social radicalism. Whether moved by idealism or indoctrinated by opposition parties' slogans, they "crusade" with almost missionary zeal and make their presence felt in political outbursts as well as in labor union demonstrations.

#### Communist Action

In all the Andean countries, the Communist-controlled groups, although varying in size and strength, are part of the labor unions and peasant organizations. However, they do not always directly appear under the red flag. They frequently assume an attitude of canny expectation, but their outward presence is felt in major national issues. They make their inroads in organized riots

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Country	Population in (thousands)	National Area in (thousands of hectares)	Agricultural Area in (thousands of hectares)	National Income Per Capita in (U.S. dollars)
	(1)	(2)	(3)	(4)
Bolivia	3,462,000	109,858,000	654,000 (1950)	58 (1955) 71* (1957)
Chile	7,551,000	74,177,000	5,514,000 (1955)	296 (1955) 343 (1959)
Colombia	14,132,000	113,836,000	3,400,000 (1958)	282 (1954) 250 (1959)
Ecuador	4,298,000	27,067,000	2,081,000 (1954)	164 (1955) 167 (1959)
Peru	10,857,000	128,522,000	4,275,000 (1954)	118 (1955) 111 (1958)

Sources: (1) Pan American Union, Dept. of Statistics, 1961. Estimates as per July 1, 1960. (2) IASI, "La Estructura Agropecuaria de las Naciones Americanas," 1957. (3) U.S. Dept. of Commerce, Bureau of International Programs, American Republics Division, 1961. The figures are based on last official census in 1950 and of later dates (computation of agricultural or cultivated area in Colombia is based on less than 3 per cent of the total national area). (4) U.S. Dept. of Commerce, Bureau of International Programs, American Republics Division. The figures are based on available records and estimates except for Bolivia\* where the figure for 1957 is GNP given in United Nations Monthly Bulletin of Statistics, vol. 14, No. 4, 1960.

at important Inter-American conferences or visits of foreign dignitaries, in which they usually play the role of a political spark plug. Two factors help the Communist action. One is the general unwillingness of the rich land-owning *haciendados* or *gamonalistas* to consider agrarian reform even if it embraces only their large uncultivated land holdings. Second is their intimate association with the ruling oligarchy that fears any radical change might deprive them of their political power. Thus whether Communist fingers are touching explosive issues or legitimate anxiety of the masses for genuine socio-economic change is involved, the conservative attitude of the landholding Andean class as elsewhere in South America creates a vicious circle.

This tragic impasse is confirmed by the facts all over the Andean area, especially in Peru, Chile and Ecuador, where most of the agricultural land and 80 per cent of the fertile valleys belong to a few thousand families. There, *gamonalismo*, i.e., land cultivation by the Indians or *cholos* in exchange for a kind of subsistence, as well as *huasi-pungos*, based on their services for the right to till small plots of the haciendas, is still practiced. Deriving from the Spanish colonial *encomienda* system, both keep the Andean indigenous population in perpetual subservience, although freedom has been constitutionally guaranteed. Probably because of the deep-rooted indolence of the Indians, this type of farming is not always economically efficient, although it renders a good

income to the great landowners. It is characteristic that they usually reside in cities and only occasionally visit their haciendas, which are managed by their representatives who are also the regional *caciques*, i.e., political bosses.

The miserable substandard conditions in which these peasants live create a tragic problem. Its solution has been conveniently postponed since the Wars of Independence (1810-1824). Little or nothing has been done since then to alleviate discontent among the Andean *serranos*, i.e., mountain Indians. The patronizing kind of master-peasant relationship contributes to the social turmoil which is bound to erupt. The situation is hardly reconcilable with the mentality of the big landowners. They retain this type of economically-forced semi-slavery on their estates while on the other hand they take pride in discussing books on the advancement of contemporary society and are witnesses to the great changes occurring in Europe, Asia and Africa. Surprisingly enough, this unhealthy atmosphere does not seem to bother the consciences of this well-educated landed gentry who, living in the twentieth century, act in the outmoded fashion of the Conquista epoch.

## The Indigenous Problem

There are also many farming communities owned by the Quechua Indians in Peru which are situated in the high Andean sierra. They are based on the ancient Inca system of communal land called *ayllus*, where the

soil is being tilled in almost the same way as centuries ago. Some anthropologists believe that the meager crops and substandard conditions are now much lower than those during pre-Conquista times when the distribution of food under Inca rule was more adequate. Life in these communities, because of the rigid climate and primitive agricultural methods, is very strenuous. Sometimes even these *ayllus* are harrassed by the neighboring estate owners. Ciro Alegria's classic novel, *El mundo es ancho y ajeno*, is a literary protest against such practices in Peru. Likewise, Jorge Icaza's *Huasipungo* depicts the unfortunate lot of the Ecuadorian indigenes and Alcides Arguedas in his *Raza de bronce* exposed the situation of Bolivian autochthons.

Many Andean Indians, whether the Quechua in Peru or the Aymara and Quechua in Bolivia, do not even live within the monetary economy. What little they have to exchange usually goes in barter to purchase *chicha*, the popular alcoholic beverage of the Andes. A considerable percentage of the Peruvian and Bolivian *serranos* still chew *coca* leaves to forget their hunger. Several years ago there was a United Nations' attempt to eradicate this drug. Unfortunately, this was not practicable because of the radical shock such a step would have caused in the socio-economic structure of this Andean sector and presumably because of the inability of local authorities to find an adequate solution.

The incredible apathy and indolence of the Andean indigenes is perhaps best exemplified by the Indians and cholos in Peru where they constitute over 80 per cent of the total population. They produce almost nothing for the country and consume even less, living practically outside the Peruvian national economy.<sup>1</sup> Most Andean Indians are not only landless but also illiterate. In addition, the *sierra*, whether in Peru or Bolivia, is overpopulated. As bad as the Andean agrarian situation looks to outsiders, it has not thus far attracted the attention of

the *latifundistas*. Sometimes in private conversations, they are willing to admit that there is room for a change but they rarely do anything about it. The only tribunes who advocate social reform are usually progressively-minded writers, opposition politicians and labor unions, whose activities, however, are not always united.

During the last decade in Bolivia the Indians' lot changed civilly and in some areas they received more working opportunities and contact with education. The agrarian reform which made land accessible to them for their own use did not bring expected results. As a matter of fact, the agricultural output dropped so the Bolivian economy still depends on basic food imports from neighboring countries such as Argentina, Peru and Brazil. The future will show whether the Bolivian Revolution of 1952 can be realistically compared with the Mexican Revolution of 1910, the achievements of which during the last 50 years produced a greater degree of emancipation of the Indian and *mestizo* masses than in any other Latin American country. Around 30 per cent of Mexican arable land is farmed by cooperative groups called *ejidos*.<sup>2</sup> Thanks to the introduction of modern agricultural techniques, Mexico recently became almost self-sufficient in food production although some foodstuffs are still imported.

#### Ideological Clash

In spite of economic disparity and social cleavage in Andean America, one general observation is inescapable. There is a certain improvement in the standard of living among the middle class, which is striking to an unbiased observer revisiting these countries after ten years. The introduction of modern techniques and gadgets as well as of new European and especially North American customs has had an impact on the urban mode of life although it has not basically changed the Spanish American mentality.

A combination of these factors contributed to the emergence within the middle class of a new stratum of politically active and economically more ambitious society. This gradually expanding new group is on its way to taking over or sharing the traditional leadership with the still omnipotent upper class of landowners and professional bureau-

<sup>1</sup> This opinion was expressed by the Peruvian economist, Dr. Leoncio M. Palacios, at his lecture at the Universidad Mayor de San Marcos in Lima, in August, 1959.

<sup>2</sup> João Gonçalves de Souza, Director of the O.A.S. Program of Technical Cooperation, basing his estimates on the 1950 Census, indicates that 27 per cent of the land in Mexico is farmed by *ejidos*. See his article, "Problem of Agrarian Reform in Latin America" in *Américas* magazine, Vol. 12, No. 8, August, 1960.

crats. Its impact is especially felt in industrial and commercial activities and thus can be branded a progressive force in the historically slow process of social transformation in the Andean region.

Another social group is the task force of political doctrinaires, mostly of radical ideology, either with or without Marxist affiliation. This group produces dynamic leaders who, operating with variable luck, usually identify themselves with the impoverished masses. Not infrequently their aims attract liberally minded or patriotically inspired intellectuals whose influence, due to specific conditions or popular acclaim, cannot be discounted. All these radicals, even if they are anti-Communist, are not necessarily pro-United States. The latter's official links with the Andean governments are sometimes conveniently used as ideological targets by these radical elements.

The struggle for power between the progressive and enriched stratum of the middle class and the desperate and frequently bold sector of the leftist doctrinaires is one of the basic ingredients in the process of social and political change. Sometimes the incendiary slogans supported by the brutal realities make an easy alliance between these radicals and the populace. The tragedy of the situation is increased by the fact that the overwhelming majority of the landless Indian and *mestizo* masses are on the margin of the economic and social changes in Andean America.

Although we are not prone to overemphasize social radicalism or give credit to it where it is not due, the previously described practices of the great landowners are certainly not discouraging attempts at leftist inroads, including the Communist menace. As for communism and the United States worries about its danger, perhaps it would be better to concentrate on the general problem of poverty in these countries. While extending them our financial aid, we must convince their authorities of the importance of eradicating poverty through necessary reforms. In this respect great hope is placed in President Kennedy's mammoth program, "*Alianza para el progreso*," which is considered an economic spade to improve the over-all situation of our southern neighbors, including those in the Andean region.

Obviously the United States cannot interfere in the internal affairs of these proud nations, as this would be considered some kind of "yankee interventionism" which is contrary to our inter-American commitments. On the other hand, it seems logical that if these Latin American governments in strict cooperation with the great landowners are willing to undertake reformatory land programs, the dreadful phantom of hunger might slowly be eradicated. This would also contribute to a lessening of the socio-economic tensions which in accelerated form have been plaguing Andean America during recent years.

A rapid review of the present day situation shows the following facts. In Peru and Ecuador the gulf in the wealth distribution between the one-fifth of "haves" and the four-fifths of "have-nots" is perhaps not such an immediately incendiary problem as it is in Chile, where national literacy is incomparably higher. There, the disparity between the relatively fast degree of industrialization and long neglected soil utilization, depending mostly on traditionally large estates, results in increasing hunger of the masses and for some years has been an explosive issue. It is bound to erupt any time.

Bolivia is now passing through a transitional period which oscillates between revolutionary disappointment in frustrated economic progress and further agrarian adjustments tending to rehabilitate this country's discontent on an almost national scale. Post-revolutionary violence, however, has ceased.

Colombia's position is economically somewhat better balanced than that of her neighbors, although many restrictive measures contribute to the deepening depression. Over ten years of political tensions have created social chaos, which seems to be closely tied up with the still unsettled demand for further land reforms. Any spark may ignite another wave of violence in Colombia.

#### Latifundios versus Minifundios

The utilization of natural resources in the Andean countries depends in great degree on the availability of agricultural land, which in this region is relatively little. No statistical speculation will do justice to the matter, especially if it cannot show how much of the whole agricultural area is used for cultiva-

**Minifundios in Andean America (1950-1955)**  
**Number of farms units according to their size**

Country	under 1 hectare	1 hectare and over	1-10 hectares
Bolivia	24,756	61,621	61,704
Chile	*	124,400	48,600
Colombia	161,778	757,222	486,337
Ecuador	92,387	251,847	195,549
Peru	**	**	**

Explanation: \* data not tabulated yet; \*\* official figures not available.

Source: La Estructura Agropecuaria de las Naciones Americanas, IASI, 1957. The figures are based on last official census in 1950 and of later dates.

tion and thus could be considered agricultural area. In addition, "agricultural" land and "arable" land are terms subject to a variety of interpretations. The small percentage of available agricultural land is due to the location of these countries in the lofty *sierra* with extensive areas in the Amazonian basin. This sparsely populated jungle in some instances comprises between 65 and 80 per cent of their national territory. Chile is the only Andean nation without holdings in Amazonia. The economically most productive land is found in the Andean valleys where the large estates are located.

The agrarian structure of Andean America has two basic features in land development: *latifundios* and *minifundios*, in addition to communal holdings and other types of soil users. The *latifundios* are usually holdings exceeding 1,000 hectares, whereas *minifundios* are those of less than 10 hectares. The estimated percentage distribution of land holdings in Latin America for 1950 shows that approximately 90 per cent of the land area belongs to the large estate owners, with 10 per cent to the *minifundios*. A similar disproportion in land distribution can be applied to the whole Andean area, especially to Peru, Chile and Colombia, traditionally known as *latifundista* countries.

Although there are no reliable statistics showing the absolute proportion of land under actual cultivation in relation to total agricultural holdings, it is known that their utilization in the Andean region is only fragmentary. Opinion in this regard seems

to be partially supported by a noteworthy statistical attempt of an authority<sup>3</sup> to correlate the percentage of arable land to the total area in these countries: Bolivia 3 per cent, Chile 7 per cent, Colombia 4 per cent, Ecuador 4 per cent, Peru 1 per cent. Thus it gives an average of approximately 4 per cent for the Andean region as compared with 5 per cent for total arable cultivation in Latin America. This situation is due to very extensive areas not being cultivated at all, i.e., pastures, forests, and so on, as well as to the economic inefficiency of the *hacienda* and *fundo* type of farming in contrast to the intensively developed plantations. This traditional wasteland situation focuses the agrarian problem of the Andes into *latifundium* versus *minifundium*.

#### Agricultural Poverty

Since the end of World War II there have been in some Andean countries policies tending to increase the number of *minifundio*-type farms in order to alleviate the highly unsatisfactory agrarian situation. The O.A.S. statistical analysis based on the 1950 Census of the Americas and on the local censuses of a later date gives an idea of the number of these low stratum agricultural units in existence. Review of these statistics (see table) shows that the small farm holdings of under one hectare and of one hectare and over in all countries studied surpass considerably the farm units of between one and ten hectares. While in the latter, conditions are still endurable, the former are usually uneconomic and in most cases unable to satisfy the bare necessities of their occupants.

It is even worse when these *minifundios*,

<sup>3</sup> See p. 830 regarding land use in 1958, in Hubert Herring's *A History of Latin America*, New York, Alfred A. Knopf, 1961.

due to family growth, are subdivided into smaller plots.<sup>4</sup> Similarly, a sad picture is presented in the Indian farming communities described previously as well as among various kinds of sharecroppers and squatters. The core of the problem is exemplified by the atomization of the tiny *minifundios*, especially in Colombia, Chile and Peru, where millions of peasants are undernourished while tens of millions of hectares still are unproductive.

The poverty of these indigenous peasants causes their migratory fluctuation from rural areas to urban centers, which has been noticeable everywhere in Andean America. It has been intensified in the last decade through the expansion of capital suburbs which are growing up practically overnight with cardboard and tin can quarters. Unprepared for economic adjustment and cultural integration, these newcomers undergo unbelievable hardships which create serious problems such as increasing the tuberculosis and crime rate, and thus they contribute to serious socio-economic crises among the city dwellers. These dishevelled new settlements are disparagingly called *barriadas* in Peru, *callampas* in Chile. In cities where growing industry and commerce offer more service opportunities, this rural-urban migration is more intensive than in communities which are unable to absorb it. This demographic trend is another indication of growing ferment, the principal cause of which is the unsettled agrarian situation. The immediate result of this movement as a reinforcement to the emerging middle class might be desirable but its long-range tendency is economically dangerous. The Andean migration contributes to the perennial problem of urban overpopulation with insufficient replacements in the neglected fields. The time for agrarian reform, which would take care of utilization of natural as well as human resources, is ripe.

Besides the socio-political tensions that exist in Andean America, there are other

changes taking place there, too. A certain economic advancement expresses itself in an uneven degree of industrialization of some areas, the disproportionate utilization of natural resources as compared with the increase of the population as well as the steadily growing rural-urban fluctuation.

#### Toward Andean Industrialization

The most striking feature is a tendency toward a long-neglected Andean industrialization. This phenomenon is generally attributed to the Andeans' imbalance in foreign trade with a consequent shortage of dollars, as well as to a growing awareness of the advantage of exploiting their own raw materials and transforming them into higher priced manufactured goods.

Peru, Colombia and Ecuador now produce more food and pharmaceutical articles. The chemical, textile and garment industries are also steadily growing in these countries and in Chile. On account of her motorization Colombia has already started manufacturing tires. More electrical parts and some mechanical gadgets are being made locally to satisfy the needs of accelerated electrification, which some Andean states are extending into their interiors. However, there are still too many goods such as ham, butter, cheese, fish, sausages, chocolate and even cookies, imported from Europe, the United States and Canada, which could be manufactured on the spot, thus fortifying national budgets. An encouraging feature, on the other hand, is the construction of certain highways, which in the long run promote the establishment of new industries and connect isolated agricultural centers. The present inadequate communication system is, however, still a serious impediment for further economic development of this mountainous region.

A significant event in the economic transformation of Andean America during the last decade was the appearance of the steel industry. Leading chronologically are Chile's integrated steel works at Huachipato established in 1951 with an output of 430,000 tons of ingots in 1960. The integrated steel plant in Belencito, Colombia, founded in 1954, was able to produce about 90,000 tons in 1958. Likewise, the integrated steel works at Chimbote, Peru, inaugurated in

<sup>4</sup> This point has been stressed by Thomas F. Carroll, F.A.O.'s Regional Officer for Land Tenure and Settlement in Santiago, Chile. In his recent study, *The Land Reform Issue in Latin America*, he says: "The extraordinarily rapid growth of population in recent decades has aggravated the minifundio problem both through further subdivision by inheritance and through spontaneous migration into new areas." (p. 166.) This analysis is a part of *Latin-American Issues, Essays and Comments*, edited by Albert O. Hirschman, New York, 1961, The Twentieth Century Fund.

**ANDEAN AMERICA**  
**Foreign Trade and Cost of Living**

Country	(1)						Percentage of Export Earnings derived from 1957-1959	(3)			
	Exports (in million US dollars)			Imports				Cost of Living Indices (1953 = 100)	1950	1955	
	1950	1955	1959	1950	1955	1959				1960	
Bolivia	75	76	59	64	81	67	tin	62%	30	404	3350
Chile	281	472	495	247	376	413	copper	66%	53	302	1160
Colombia	396	580	470	365	669	415	coffee	77%	88	109	169
Ecuador	74	114	142	50	114	108	bananas	57%	—	105	104
Peru	189	268	312	176	300	293	cotton	23%	78	110	165

Sources: (1) International Financial Statistics, International Monetary Fund, Feb., 1961. (2) International Financial Statistics, International Monetary Fund, Feb., 1961. (3) International Labor Office, 1961.

1958, produced over 60,000 tons of ingots in 1960. With local access to iron ore, all these industrial combines have a much larger capacity for future expansion. According to experts, the production of steel and the shipment of its finished products to distant consumer markets in Bogotá or Lima make prices disproportionately higher than those of imported steel (with the exception of Chile). This seems to confirm the impression that the introduction of the steel industry was justified by national pride rather than economic profit although it has made Andean America partially independent from foreign imports. Because of the high output at Huachipato, Chile has become the only Latin American country that is producing more steel than it consumes, thus allowing her to be a moderate steel exporter.

The steel industry in the Andean region has been mostly financed by European capital although some United States sponsored loans were also involved. According to a steel economist, "the greater part of that industry was built by and is today being operated effectively and efficiently by local personnel," although foreign technicians helped with projects and initial operations and still serve as advisers.<sup>5</sup> The establishment of the steel industry in Chile, Colombia and Peru increased the number of steel producing countries in Latin America to nine, the others being Argentina, Brazil, Mexico, Cuba, Uruguay and Venezuela.

In the industrial development of all Andean countries Chile stands out as having

many lines of diversification. However, this country has developed it in disproportion to its agricultural output and food production, thus causing an economic crisis. Bolivia's long neglected mining installations and ore depletion lowered their tin production and made it almost unprofitable. Hope, nevertheless, is placed in the opening of oil fields and land reclamation in the Oriente territory, planned with a view to national recovery. Colombia's fate is still closely tied up with the ever fluctuating coffee prices in the international market; now great expectation is attached to its gigantic Cauca Valley Corporation project. Modeled after our T.V.A., it foresees the construction of multi-purpose hydroelectric dams which would boost agriculture and help establish new factories in an area of some 15,000 square miles and two million people. This will considerably supplement existing Colombian industries.

Less favorable is the industrial development of Peru and Ecuador on account of their predominantly agricultural economy, which overshadows mining and petroleum exploitation. Peru, however, completed the trans-Andean highway between Lima and upper Amazonia and constructed the hydroelectric plant on the Santa River, which is supplying power to Peru's T.V.A. steel works in Chimbote. Another achievement was the construction in 1959 of its first oil tanker, M. V. "El Zorrito," of 10,000 T.D.W. in Callao's shipyards, thus increasing the potential of the South American shipping industry on the Pacific coast, which thus far has been mainly concentrated in Valparaiso, Chile.

<sup>5</sup> See "Steel in Latin America" by Jack R. Miller, steel expert, in *Américas* magazine, Vol. 13, No. 3, March, 1961.

Both Colombia and Peru are intensifying their petroleum industry, which, although generally dependent for capital and technology upon United States and British companies, not only satisfies the necessities of their own markets but even exports oil abroad. The new Bolivian oil fields, in addition to Anglo-American interests, have also attracted Canadian and Brazilian concessionaires.

#### Changes in Economic Status and Capital

In this industrial endeavor the slowly awakening private initiative along with the governmental guarantees so badly needed in large scale enterprises such as the aforementioned steel mills in Chile, Colombia and Peru is doubtlessly helpful. Their establishment helps fulfill national aspirations by changing the present economic status from the historically hated "colonial" exploitation into tolerant or reasonable equity in regard to the participation of needed foreign capital in the development of Andean America. In addition to national pride, a fear of continuous United States economic domination also motivates their industrial expansion.

To improve this situation, the training of Latin American technicians in foreign countries, especially in the United States, along with various programs of technical aid launched by the United Nations, the Organization of American States and various United States agencies, cannot be discounted. This new trend seems to be the realization of the dreams of serious minded Andean leaders who frequently pointed out the awkward situation in their native countries saying: "Latin America abounds in artists and literary people but lacks scientists and technicians." This incipient switch from theorization to practical action toward economic betterment may presage a new era provided it is carried out systematically.

In spite of tremendous opportunities, Andean capital is still being invested in modest industry in a rather limited proportion. This is noticeable above all in Peru, Ecuador and Colombia where, surprisingly enough, considerable investments are made instead in the construction of office buildings and apartments. Thus Andeans contribute to the modernization of their colonial cities. It

is strange, however, that in these urban investments the construction of new hotels in Colombia and Ecuador seems to have been overlooked. This handicaps the expected great increase in United States tourism, which finds better facilities in nearby Mexico and Caribbean America.

Capital investment in new industry, except in sporadic cases, is being made by the South Americans mostly as a riskless collateral in foreign-sponsored enterprises, in order to comply with legal regulations to assure control of their industry by national investors. Also known are cases of state capitalistic participation as in Chile where the government helped build the Huachipato steel mill, which was later taken over by private stockholders. In regard to private initiative or mixed private-government projects, Chile and Colombia show more economic consciousness than other Andean countries.

Scarcity of local capital and national ambition toward industrialization of the Andean countries have traditionally attracted foreign investors both from North America and Europe. Although statistics on United States private capital investments in Latin America are as yet not available for 1960-1961, private estimates about their participation in the Andean region, especially in Chile, Colombia and Peru, are quite favorable. This occurs even in spite of our rapidly diminishing investments in Latin America caused by Cuba's nationalization of United States property in 1960, which generally discouraged foreign financiers. In addition, official United States financial aid is flowing there, such as help for Bolivia in running her mining industry as well as for other programs in the different Andean countries.

#### What Future for Amazonia?

Extensive parts of the national territory (65-80 per cent) of Bolivia, Colombia, Ecuador and Peru are in the Amazon basin. Like Brazil, these countries, with the exception of Colombia, seem to attach great hope to their Amazonian possessions, considering them as an economic reservoir for their future. Perhaps more emphasis than it deserves is given to this enormous jungle area, especially for agricultural purposes. Even

*(Continued on p. 115)*

*Discussing Chilean problems and development, this author points out that since 1920, "succeeding middle class governments have been responsible for substantial progress"; nevertheless, "this commendable progress has not improved sufficiently the fortunes of the rural and urban laborers."*

# Middle Class Government in Chile

By DONALD W. BEATTY

*Associate Professor of History, University of Minnesota*

THROUGHOUT the nineteenth and during two decades of the twentieth century, Chile was unique among the nations of Latin America. While the other states were often disturbed by revolution, Chile was orderly and was praised for the stability of its government. Its government, while conservative, made some gestures in the direction of liberal change, met its international obligations, was hospitable to foreign capital, and in return for the nitrates it exported was a reliable market for finished goods.

This pleasant situation was disturbed after World War I. Since that time, many changes have been introduced. While there has been a minimum of physical violence in the past 40 years, there is reason to inquire whether the changes which have taken place have been enough to meet the national problems or whether there will be further alterations, through revolution if necessary, which will alter the national pattern even more markedly.

Chile proclaimed its independence from

Spain on February 12, 1819. Thereafter, various factions fought to control the country. This struggle was ended in 1830 when Diego Portales, a businessman who desired order and not political advantage, led the conservative element to victory at the battle of Lircay. Three years later, a conservative constitution was adopted which endured with only moderate amendment until 1925. Portales, although consulted until his death in 1837, did not occupy public office. His statue stands today before La Moneda, the executive mansion. Surely that grim figure must be troubled by the alterations which have occurred in the past four decades.

The constitution of 1833 was deliberately conservative. The president, serving a five-year term, could be reelected; the first four chief executives served more than one term. The senate was to be chosen indirectly for a six-year term. The Chamber of Deputies was elected directly for three years. The cabinet was chosen by the president and was responsible to him. The franchise was limited to literate male citizens; a property qualification narrowed the franchise further. Roman Catholicism was the state religion. The president enjoyed wide appointive power for he chose lesser officials, even those serving the municipalities. Through its power of initiating appropriations, the senate could influence the chief executive.

This tight system was modified occasionally during the nineteenth century; the president was limited to one term; Protestants were granted religious privileges, civil marriage and divorce were recognized, and vari-

W. Donald Beatty teaches Latin American and American Diplomatic History. He has traveled extensively through Latin America, and in 1949-1950 he studied there under a Doherty Fellowship. He is co-author of *An Introduction to Hispanic American History*, and *The Recent Social and Economic History of Chile*.

ous restrictions were imposed on the Catholic Church. There was only one serious disturbance during the century, when a liberal and anti-clerical president, José Manuel de Balmaceda, sought further liberal reforms and tried to govern with greater independence of the legislature. This display of executive independence was defeated in the short but violent civil war of 1891. Thereafter, until 1920, the president was a figure-head while the legislature was the dominant unit of government. This was not a parliamentary government for there was no way to appeal to the people in the event of a serious difference between the executive and legislative branches.

After 1891, Chile returned to its orderly behavior. Elections were held regularly, and, although the elections were corrupt, one administration was permitted to succeed another at proper intervals. There were differences within the ruling clique, the great landowners, but these differences were personal and did not alter the political or social pattern. Owing to its victory in the War of the Pacific, 1879-1883, when Chile defeated Peru and Bolivia and took territory north of the twenty-fourth parallel from those nations, Chile controlled the trade in nitrates, then in constant demand for fertilizer and explosives.

Foreign trade was impressive for a small country because nitrates, other minerals, and some farm products were exported to pay for manufactured items. The export tax on nitrates, although substantial, was bearable; this levy alone provided about 60 per cent of the national budget. An apparently prosperous agriculture supplied most of the national food requirements. Domestic taxes were light. The climate of inhabited Chile was ideal and the fortunate few, the "landed oligarchy," lived comfortable and gracious lives.

Grave defects, however, had been present for years and became increasingly apparent after 1900. Since the colonial period the arable land had been held in great estates by the very few; in an overwhelmingly agricultural nation, most of the rural inhabitants, the *inquilinos*, did not own the land they cultivated. Education, housing and health had been ignored. Among the civilized nations, Chile had the highest infant mortality

rate in the world. The franchise was denied to most of the people. Industry, despite abundant resources, had made little progress. The growing middle class had no effective voice in the government. The urban laborer was underpaid (about \$.75 per day) while labor organization was vigorously opposed.

While Chile persisted in dwelling in the nineteenth century, sweeping changes were being introduced elsewhere, in Uruguay, and in Mexico. It was at this point that a still controversial figure in Chile, Arturo Alessandri, the Lion of Tarapacá, won the presidency by a narrow margin after a bitter campaign. His son, Jorge Alessandri, is now the chief executive.

#### A Geographical Monstrosity

To understand modern Chile and the problems which confront that elongated nation, it is essential to know something about the country and its economy. Even by its own citizens, Chile is referred to as a geographical monstrosity, reaching as it does 2600 miles through 38 degrees of latitude from north of the Tropic of Capricorn to Cape Horn. The total area is 296,000 square miles. Owing to the coast range which rises sharply from the Pacific, there are few good natural harbors and those which do exist are located where they have little utility. The Humboldt or Peru Current flows along the coast; this frigid current from the Antarctic discourages swimming and has an additional disadvantage: little moisture is absorbed from it to be deposited on the parched shores.

However, the current is also beneficial in that it acts as a cooling agent to relieve the inland temperatures. Only recently has an effective effort been made to utilize the wealth which this current contains. In it highly nourishing fish live in great abundance, the congrio, the corvina, many varieties of shellfish; and at some distance from shore, the tuna, the marlin, the broadbill swordfish, and the whale are found. As refrigeration is provided and dietary habits change, far greater use of this resource will be made.

The width of Chile varies from 46 to 250 miles. Since the towering Andes form the eastern part of the national domain and few Chileans live in the highlands, the bulk of

the population is wedged between the coast range to the west and the cordillera to the east. There are no rivers in Chile that are navigable even by small craft for more than a few miles from the sea, although the few rivers that do flow from the Andes are useful to irrigate the northern and north central sections. This "narrow crumpled ribbon of land" is readily divisible, as ancient Gaul, into three parts, the north, the central area and the south.

### The North

The north, the area lying north of La Serena, is referred to by Chileans as the *pampa* or the *altiplano*. It bears no resemblance to the humid pampa of Argentina. This is the Atacama Desert, one of the driest portions of the earth's surface. Two of the larger cities, Iquique and Arica, have an average rainfall of less than six-tenths of an inch each year. Without irrigation, nothing grows, not a "shrub, not a tree, not a blade of grass." In a few of the irrigated valleys, potatoes, cereals, and fruits of high quality prosper, including the delicious chirimoya. The area must import food to feed its sparse population. Although arid, the climate is agreeable, for the days are invariably bright and clear with temperatures in the eighties. The nights preceded by brilliant sunsets are cool but otherwise pleasant.

This area is connected with Central Chile by the longitudinal railway which reaches from Pisagua, south of Arica, to Puerto Montt. Transverse lines connect with the coast. There is no direct rail connection between Chile and Peru. Two lines join Chile and Bolivia; the one, the Ferrocarril Antofagasta-Bolivia (the "F. C. A. B."), reaches northeast through mountain passes, one of which is more than 12,000 feet above sea level. The other, from the free port of Arica, connects with La Paz and negotiates one pass at 14,000 feet. There is a third line which extends to Salta in northern Argentina. It is hoped that this line will increase the useful exchange of Chilean minerals for the food of Argentina.

This sector, sparsely populated and somewhat remote, is vital to the nation. It is the area which contains most of the mineral wealth. There are moderate deposits of salt, borax, manganese, molybdenum, gold,

silver, marble and cement and generous deposits of sulphur, iron, copper, and nitrate. Chileans, with the participation of some foreign capital, have developed the lesser resources, but the iron, copper, and nitrates are controlled by foreign capital, predominantly from the United States.

Anaconda Copper controls the tremendous deposit at Chuquicamata lying at an elevation of more than 9,000 feet just northeast of Antofagasta. The same company also controls the somewhat smaller deposit at Potrerillos, south of Antofagasta. Combined, these two operations produce more than one-half of the 500,000 tons of copper which Chile produces annually.<sup>1</sup> Since the national government levies a heavy tax on the copper operations and since this is the largest single source of revenue, it is readily apparent why the international price of copper is of concern to Chilean officials. Copper accounts for about 56 per cent of the exports.

Nitrates no longer provide the bulk of the national budget. The change from a major to a minor source of income came with World War I when the Central Powers, denied access to Chilean nitrate, turned to synthetics. The virtual monopoly which Chile had held was broken; today Chile supplies about 16 per cent of the world's nitrate. Since the consumption of nitrate has increased, Chile still produces about as much nitrate as before, about 1.5 million tons per year, but has a smaller share of the market. When cheap synthetic nitrates were introduced, with the added advantage of lower transportation costs, the Chilean nitrate industry found itself in a precarious position.

Drastic measures were required to meet this threat. Before the war, there had been a number of nitrate plants, *oficinas*, which had prospered, using the old and inefficient Shanks process for extracting the nitrate from the raw material. To compete, it was necessary to reduce costs. This was accomplished at great expense with the perfection of the Guggenheim process which is currently used at the two large Guggenheim plants at Pedro de Valdivia and Maria Elena located west of Chuquicamata. In addition to Guggenheim

<sup>1</sup> Most of the figures in this sketch have been taken from the *Statistical Abstract of Latin America, 1961* (University of California at Los Angeles, Los Angeles, California).

capital, there is British and some Chilean. There is one other operation with capital from various sources, most of it Chilean, located at Victoria. These three plants produce about 90 per cent of all Chilean nitrate. The export tax on nitrate has been rescinded. Instead, the government shares in the profit, if any, after the product has been marketed through the national sales monopoly, the Nitrate and Iodine Sales Corporation. Iodine is a by-product of the nitrate process.

There is another vast and rich resource in this northern sector, iron, controlled by Bethlehem Steel with operations in the vicinity of Coquimbo. The ore is mined at the rate of about 4 million tons annually; most of it is shipped to the United States. This source also serves the Pacific Steel Company of Chile, located near Concepción.

This northern area, though vital to the economy of the country, supports few people; about five per cent of the economically active population of the entire country relies upon mining for employment. The slight population of northern Chile resides either at the mining operations or in the port cities. The leading cities are Antofagasta, from which copper and nitrates are exported, Tocopilla which is the port for the Guggenheim plants, and Iquique which is also a nitrate port. In all of northern Chile there are fewer than 400,000 people.

This is an area at which the nationalistic Chilean levies his hostile criticism, contending that the foreigner while enriching himself also depletes the national resources. He complains further that the profits from the operations are drained from the country, which to some extent is true. On the other hand, it may be argued that unusually heavy investments were necessary preliminaries to the profits, investments that Chileans either could not or would not make. Any impartial observer will conclude that housing, education, health, recreation, and food at the foreign operation are superior to those at the Chilean operation. Moreover, the foreigner is taxed heavily. In addition, it does not follow that the Chilean employer is automatically a humane and charitable individual, anxious to share his income, while the foreigner is only concerned with profits and is indifferent to the plight of the less fortunate.

### Central Chile

Central Chile, the region between La Serena on the north and Puerto Montt to the south, is in many ways the most delightful area in all of South America. The climate is "Mediterranean"; this sector occupies roughly the same position in South America as California in North America. The temperature during the day for most of the year climbs to 80 degrees or a little more and falls to the 50 to 60 degree range during the night. During the winter there is some rain but there is virtually none from September to April. Hence, irrigation is necessary in the Santiago area. Further south, there is adequate rainfall during the growing season. Snow is rare in Santiago though it is a sight never to be forgotten on the Andes to the east of the city. During the most severe winter days, a light topcoat affords adequate protection.

This segment of the country shelters 80 per cent of the people, has most of the arable land, the leading port, the capital city, mineral resources, forest reserves, and almost all of the industry. It contrasts sharply with the arid north and the cold, wet and forbidding south.

A major feature is the central valley, the *valle central*, measuring about 500 by 30 miles. It is quite narrow in the north and somewhat wider in the south. Here are the great estates, the *fundos*, and near Santiago and elsewhere the smaller units, the *chacras* and the *parcelas* which produce cereals, grapes, citrus fruits, peas, beans, lettuce, cabbage, squash, corn, tomatoes, rice, and recently, the *maravilla*, the sunflower, a source of edible oil.

A grave defect is the pattern of land holding where even today about 87 per cent of the arable land is held in units of more than 1,000 acres. This has led to a careless and inefficient system of cultivation. Instead of using the land to its capacity to produce enough food and even a surplus, instead of using the marvelous nitrate fertilizer and farm machinery, too often the ox supplies the power, other than hand power, and land lies fallow to recover its fertility. As a consequence, Chile imports food.

Santiago is the manufacturing center of the country. Along the Avenida Vicuña MacKenna, for example, substantial textile,

food, shoe, paper, glass, lumber, wine, and edible oil installations of modern design have appeared in the past 20 years. Further south, near Concepción, the Pacific Steel Company, using domestic raw materials, produces nearly all of the national iron and steel requirements with some left over for export. There is also manufacturing at Valdívía and Valparaíso. About 20 per cent of those employed are in industry.

Also in Central Chile is the third major copper mine, located at the head of a canyon east of Rancagua which in turn is about 50 miles south of Santiago. This is El Teniente or Sewell, started by the Braden Copper Company and now a Kennecott property. The mine itself is spectacular for the ore body is located in the cone of an extinct volcano. It is referred to as "an upside down mine" for the ore is drawn down from the top by a system known as "block-caving." Further to the south are the coal mines near Lota and Coronel which produce a bituminous coal. These ore deposits lie under the sea and are reached by laterals from shafts put down on the shore. This resource will be exhausted in fewer than 50 years.

Port cities of consequence are Valparaíso, San Antonio, Talcahuano, Corral, and Puerto Montt. Of these, the leader is Valparaíso, poorly endowed by nature, but protected by a breakwater and equipped with modern loading and discharging facilities. The foremost cities are Santiago with 1,600,000, Valparaíso with 271,000, and Concepción with 164,000. More than 2,000,000 of the total national population of 6,277,000, predominantly white, live within 100 miles of the capital city.

#### The South

The least attractive area of all Chile is the south. It is an area of constant low temperatures with the media range on the coast from 48 to 43 degrees. It is much colder inland. Some localities have as little as 15 inches of precipitation each year while others have as much as 150 inches. The population distribution is fewer than one per square mile. This is a region of soggy forests, victim of storms, the lashing sea, snow, wind, glaciers.

It does make some contribution to the national economy for wheat, potatoes and cattle are produced; the island province of

Chiloé is justly renowned for its shellfish. Further south, there are vast sheep ranches which yield both meat and fiber for domestic consumption and for export. Within the last ten years oil, which is a national monopoly, has been located near the Straits of Magellan, both shores of which are owned by Chile although Argentina shares possession of Tierra del Fuego. Chile is far from self-sufficient in petroleum; oil imports continue to be heavy.

Punta Arenas, located on the north side of the Straits, enjoys the distinction of being the southernmost city in the world with a population of about 40,000. This is the commercial center of the area, and in particular the center of the sheep industry. It has good streets, rather impressive public buildings, many automobiles, and has produced more than 100 millionaires. Even further south is the naval base at Port Williams, just north of Cape Horn.

#### The People

When Arturo Alessandri was elected president in 1920, the country was racially homogeneous. Chile has never had a Negro population. There was only a small Indian group. Many Chileans had some Araucanian or "Mapuche" blood, but among those who might be called *mestizos*, the European strain predominated. Chile was, however, sharply divided into classes.

In the north and also in central Chile were the mine laborers. Those in the north were more fortunate than those in the coal centers of Lota and Coronel. Communist sympathy and affiliation are common in these regions today and it is easy to understand why the miners of Lota and Coronel wish to change the system.

Also prominent were the *inquilinos*, the farm workers. Some resided permanently on great estates; others were migratory. There was little if any prospect that the *inquilino* would ever acquire land. Instead, the permanent resident made a yearly contract or bargain with the land owner. In return for a stipulated amount of labor, the tenant received a miserable dwelling, a small plot of land to cultivate for himself, a ration of food, and grazing rights for his livestock. He also received a wage which as late as 1931 was forty centavos per day,

about two-fifths of a peso which then was worth about 30 cents. The migratory laborer received food, shelter, and a small wage during peak seasons and then moved on. The *inquilino* was almost invariably illiterate.

The *haciendados*, the land owners, lived magnificent lives. They inhabited big houses, entertained lavishly, served in public office, had funds to travel and educate their children, paid few taxes, thanks to the dependable revenue from the nitrates. They had no interest in modifying the system.

In the cities, there were the *rotos*, the ragged ones. These were the unskilled laborers, dwelling in the slums, illiterate, diseased, often unemployed, frequently undependable, and often alcoholics. A cut above these were the skilled laborers, in many cases very capable people who occupied posts of responsibility in the industry and trade which became more prominent during and after World War I. These formed a lower middle class which shared common interests with a more mature middle class of professional people, artists, bureaucrats, intellectuals, journalists, small land owners, lesser military officials, the owners of industries, and those engaged in the various aspects of trade and commerce.

#### Politics since 1920

By political affiliation, Alessandri was a member of one of the traditional groups, the Liberal party. He was a resident of Santiago; since Chileans did not believe that political capacity was distributed geographically, he had as a senator represented a mining province of the north, Tarapacá. In his campaign, and he was an eloquent speaker, he preached electoral reform, a government more responsive to all the people, a stronger executive, land reform, improved conditions for labor, greater opportunities in education, and a national health program. This program appealed to the middle class and urban labor. With their support he was elected and then set out to modify the political and social design of the country.

For four years, Alessandri's program was blocked by the Senate, which was controlled by the landed element. Then, a series of moves too involved to be detailed in this article led to Alessandri's resignation in

1924. He was brought back in 1925 to repel the reaction to the program he had advocated. His return led to the drafting and adoption of a new constitution.

This new charter vastly increased the power of the executive at the expense of the legislature. Suffrage was granted to all literate male citizens, a privilege since granted to women. The presidential term was increased to six years, with immediate reelection prohibited. The cabinet became responsible to the president and the house of deputies superseded the senate in financial matters. Church and state were separated, clearing the way for reform in public education; freedom of religion was guaranteed. The constitution stipulated that the state was responsible for human welfare. Also included was a pious provision to permit land reform; this has not been accomplished.

Alessandri was not eligible to succeed himself in the forthcoming election. His successor, Emiliano Figueroa Larrain, a conservative, served only two years during which he was violently criticized by labor and leftist groups who sought legislation in their interest. His successor, Carlos Ibáñez, while intolerant of extremists, achieved some notable reforms. Loans from abroad financed public improvements—harbors, docks, railroads, dams, canals. A colonization law attempted to settle farmers on national land although nothing was done to break up the big estates. More schools, especially for vocational and technical training, were established. Teachers were sent abroad for training.

Despite executive vigor, Ibáñez was blamed for disasters for which he was not entirely responsible. The nitrate industry was not yet prepared to meet competition from abroad and Chile's share of the international market fell to four per cent. Revenues decreased accordingly. With the depression, copper exports diminished. Unemployment in the north resulted. Central Chile, accustomed to selling agricultural goods to the north, was deprived of a market. Loans from abroad were no longer available. To reduce expenses, Ibáñez discharged public employees, adding to the list of unemployed. Riots in Santiago and elsewhere could not be contained. Ibáñez resigned in July, 1931.

The nation floundered for more than a year. In December, 1932, Alessandri was returned to office. Besieged on the one hand by those who sought additional reforms and on the other by the ultra conservatives who resisted any measure that could be construed as "socialistic," Alessandri steered a careful and moderate course. He borrowed at home to support domestic enterprises. He negotiated commercial treaties to facilitate trade. As stability returned, foreign capital, particularly from the United States, began to invest in northern mineral properties. More schools were built. Labor unions were encouraged. Attention was given to the elaborate labor and social legislation adopted too hastily during his first administration. Funds and administrative structure were provided so that Chile today has more numerous and confusing alphabetical agencies than some larger nations. Despite opposition, Alessandri served a complete term from 1932 to 1938.

A few of the Alessandri measures require emphasis. The labor code consisted of 618 articles and filled 137 pages of type. This has since been amended and compressed but is still elaborate and detailed. In brief, the code stipulates that the laborer must have a contract describing his responsibilities and the compensation. The eight hour day and the 48 hour week are standard. Except in very small enterprises all workers must be organized into a *sindicato*, whatever their trade or occupation. This syndicate acts as the bargaining agent. Bargaining may be by simple discussion following a written petition to the employer which he must accept and to which he must respond. Failing settlement, conciliation is obligatory. Arbitration of disputes is optional. Only after discussion and conciliation may the workers resort to a strike. Other strikes are illegal and in such cases the worker loses his right to his job. These syndicates have a legal status, may sue and be sued for failure to execute a contract. The code also requires profit sharing to the extent of 10 per cent of the net profits. The law regarding accidents is explicit with respect to employer responsibility and provides for both disability and death.

Chile also has an elaborate social security law supported by funds from the worker, the employer and the state. This law pro-

vides for medical care, maternity care, yearly medical examinations and pensions. It has been criticized for its administrative overhead and large reserve fund. This fund has been invested in shops to provide cheap clothing, in dairies, in housing, and in hospitals to name but a few outlets. While some criticism may be proper, it is also apparent that in the last 35 years medical care has become far more available to many more people.

Alessandri was also responsible for some unique legislation. Pawn shops are the monopoly of the national government. Here the poor man may receive small loans at reasonable rates. Pledges from dentures to household equipment may be observed. Another unusual feature is the *sala cuna*, the cradle room, which the larger employers are obliged to provide. Here, working mothers may leave their children during the day while they work in the factory. Some of these rooms are elaborate and immaculate with trained nurses in attendance. One of the most impressive is at the Yarur textile factory in Santiago. Laws also provide for public housing projects and cooperatives.

During the past 35 years, Chile has become a more literate nation. The law stipulates that education is free and compulsory to the age of 14 or until elementary education has been completed. The fact is that the law is not fulfilled in some areas, especially in those remote, for facilities and teachers are not provided. In the urban areas, facilities are better but many children do not meet the legal requirements. About 80 per cent of the Chileans are literate. This does not mean that all are well educated for only three of every 100 students finish high school; at least 71.5 per cent never attend high school.<sup>2</sup>

When Alessandri approached the end of this second administration, various reform elements concluded that additional steps were essential to introduce even greater balance into Chilean society. These formed the Popular Front, a coalition including Socialist and Communist elements. Their candidate, Pedro Aguirre Cerda, won by a narrow margin over Gustavo Ross who had been

<sup>2</sup> For very recent developments gratitude is expressed again to *Hispanic American Report*. This periodical is very capably edited at Stanford University by Roland Hilton.

Finance Minister under Alessandri. This new government organized an agency which is currently in operation.

This agency is the *Fomento* or Development Corporation. Impetus for the innovation was World War II, which cut off imports and made Chile turn to its own resources. The objectives of the Corporation were spelled out simply and directly. They were to formulate a plan to accelerate and expand economic growth and to raise the standard of living. Lacking funds, it was stipulated that foreign loans should be sought. It was provided further that the Corporation might undertake projects itself, support approved projects but without participation in the management, or contribute to projects while sharing in the management. All three approaches have been used.

The *Fomento* Corporation is directed by a council with representatives from the legislature, government agencies concerned with the economy, private financial institutions, labor and the executive branch. The council is subdivided into seven units, Mines, Agriculture, Industry, Power, Fuel, Commerce and Transportation. During World War II and the administrations of Pedro Aguirre Cerda and Juan Antonio Rios (both died in office) attention was directed to cataloguing national resources and formulating a master plan. Since World War II, during the administrations of Gabriel González Videla, Carlos Ibáñez, and the incumbent, Jorge Alessandri, life and substance have been given to the plan. Great progress has been made.

Here, only the major achievements can be listed. A network of hydro-electric projects has vastly increased the amount of electricity available. This is particularly important to a nation which lacks abundant coal and oil resources. Aid has been given to agriculture: new and improved crops and livestock have been introduced, dams for irrigation have been constructed, and farm machinery has been imported. Various factories now convert iron and steel into hardware of all kinds. More copper is being refined and manufactured at home. Support has been given to the cement and glass industries. The cutting and processing of lumber have been im-

proved. The changes during the past 15 years are impressive.

The picture is not completely favorable, however. Industrial strife has accompanied the expansion of industry. Wages have been increased many times. Production has not increased fast enough to accommodate the rapid growth of the population. A vicious inflation plagues the nation. The peso which was exchanged at the rate of about 95 to the \$1.00 on the free market in 1950 is now exchanged at the rate of more than 1,000 to the \$1.00. Currently another round of wage increases is being resisted by President Jorge Alessandri who has to depend for support on a coalition government which often wavers.

Many people have been drawn from the rural areas into Santiago in search of work; currently the labor supply exceeds the demand. As a consequence, "callampas," or shanty towns, exist in many parts of the city. In these, living accommodations, food, sanitation, education, recreation are all sub-standard, arousing discontent and impatience with the authorities. "Coléricos," the angry ones, juvenile delinquents, roam the streets of the capital, clad in jeans, plaid shirts and jackets. Labor is restive. The Communist newspaper, *El Siglo*, is bitterly critical. When the recent invasion of Cuba failed, President Kennedy was hanged in effigy.

The critical situation in Chile is similar to that which prevails in many nations of Latin America. A middle class government with the support of urban labor was established with the election of Arturo Alessandri in 1920. Since that election, succeeding middle class governments have been responsible for substantial progress. The economic base has been widened. This commendable progress has not improved sufficiently the fortunes of the rural and urban laborers. Before them is the symbol of Fidel Castro, probably misunderstood, but a symbol nevertheless of hope and improvement. This is the challenge which presents itself to Chile and other governments of Latin America, and must be considered in the foreign policy of the United States.<sup>3</sup>

<sup>3</sup> For a broader treatment of the problem see the thoughtful article by John J. Johnson, "Whither the Latin American Middle Sectors," *Virginia Quarterly Review*, Autumn, 1961.

# Current Documents

## KENNEDY-BETANCOURT COMMUNIQUÉ

In mid-December, 1961, the President of the United States made a brief visit to Latin America. After a meeting in Caracas on December 16, President John F. Kennedy and Venezuelan President Romulo Betancourt issued a joint statement. The complete text follows:

During their meeting in Caracas on December 16, 1961, the Presidents of the United States of America and of the Republic of Venezuela, John F. Kennedy and Romulo Betancourt, agreed to make the following declaration:

1. They affirm the irrevocable friendship of the two peoples and Governments.
2. They confirm their adherence to the principles and standards of the United Nations and the Organization of American States, which are dedicated to respect for human rights; to the effective practice of representative democracy, with equal opportunity for all; to free self-determination by the people and to nonintervention.
3. They have confidence that freedom will prevail in all American countries and that the problems troubling America and the world will be solved peacefully.
4. The two Presidents expressed their determination to achieve the objectives of the Alianza para el Progreso (Alliance for Progress) in accord with the principles of the Act of Bogotá and Punta del Este Charter, and they discussed mutual Venezuelan and United States actions which are necessary for this purpose.

Venezuela's achievements in formulating and implementing a realistic long-range plan for economic and social development, especially in the fields of industrial and agricultural development, land reform, education, housing and water supply, were reviewed in connection with the need to mobilize additional domestic and external resources. Substantial new loans, in addition to those already provided, are under consideration by the inter-American Development Bank.

5. Both Presidents agreed that a special

effort is necessary in 1962 to assure large-scale development of industry and commerce, both to reinforce the present pattern of recovery from Venezuela's 1960-1961 recession and to achieve sustained levels of economic growth with rapid improvements in living standards of underprivileged groups not yet reached by the development process.

6. Both Presidents expressed their conviction that far-reaching efforts in the social field in accordance with the spirit of the Alliance for Progress should go hand-in-hand with economic development programs. The prices of basic commodities and commercial practices of importing countries must give effective recognition to Latin America's dependence on exports. Such recognition is a vital factor in carrying out the spirit and letter of the Charter of Punta del Este.

7. The Presidents discussed the great importance to the Venezuelan people of the large Guri hydroelectric dam as the base for intensive development of the Guayana region. Special consideration was given to Venezuelan programs for slum clearance, low-cost housing and municipal and community development.

The Presidents believe also that this stimulating approach should have wide applicability in accelerating local development, in solving the most important local problems and, equally important, in taking advantage of local economic opportunities through community initiative.

8. During the next few months Venezuelan and United States officials will discuss in detail development loans and technical assistance to be provided by the United States Agency for International Development and other measures to support the Venezuelan

development program and strengthen United States-Venezuelan economic relations. President Kennedy pledged all possible United States support and assistance to enable Venezuela to implement its development program on schedule, complementing Venezuelan efforts to this end.

9. President Kennedy and President Betancourt joined in expressing their hope that this statement made today in the birthplace of Simón Bolívar will be received by the peoples of this continent as a message of faith and optimism.

(Continued from p. 105)

the most attractive theories of economic geography or political optimism cannot, however, change certain laws of nature. For example, the fertile *humus* which is washed away by repeated floods of the Amazon and her tributaries, is definitely not an encouraging factor for sedentary agronomy. There are, however, limited parts of the highland *montaña* which are more adaptable for this purpose and for cattle raising, provided that an adequate transportation system is developed.

The greatest wealth thus far discovered in Amazonia is oil, both in Peru and Bolivia. Because of physical obstacles (jungle) and labor difficulties (nomadic Indians), its exploitation is not an easy task. Judging from the incidental discovery of manganese in the Brazilian Amazonia, there well may be some other minerals in the surrounding regions. Caoutchouc (latex), the previously important Amazonian product widely used by the rubber industry, lost its commercial attraction due to cheaper imports of this raw material from Malaya as well as the introduction of synthetic rubber. The incredible hazards of the "*caucheros*" and their inhuman treatment by the rubber barons of various nationalities are depicted in José Eustasio Rivera's great Colombian novel, *Lo Vorágine*. This is a tremendous indictment of inglorious past practices, and at the same time, evidence of the incessantly fantastic struggle between man and the jungle.

It is understandable that various governments, in an endeavor to populate their Amazonian possessions, are trying to attract

settlers, frequently unsuspecting Central European and Oriental farmers. Sometimes, however, it is difficult to mix patriotic slogans with economic reality. For the horrors of the jungle are enough to chill dreams of a fabulous fortune in this climatically inhospitable wilderness.

This, however, does not exclude economically sound possibilities in certain healthier Amazonian areas of the Loreto district in Peru and in the Oriente provinces of Bolivia, which have been under consideration for a long time. If attempts such as the establishment of the settlement in Tingo María and the continuous growth of Iquitos in Peru alone could inspire other Andean countries, perhaps some of their economic problems could be alleviated by gearing their population "explosion" to the sparsely populated Amazonia.

Real riches in existence there are in the botanical field. According to an authoritative estimate, thus far over 20,000 species of plants and trees have been found in the Amazonia. Among the latter, mahogany and other valuable trees are highly priced on account of their expensive transportation. Second in importance is the great variety in fish life and tropical animals, which are so fascinating to naturalists. Of no less interest is the fact that the muddy waters discharged by the Amazon hundreds of miles into the Atlantic join the Gulf Stream. It is believed by some naturalists that several Amazonian plants owe their existence on the coast of Florida to this flooding process. The phenomenon itself is, of course, still under scientific investigation.

"The doctrine of nonintervention is designed to prevent interference by one nation in the foreign and domestic affairs of another, whether this interference be done through infiltration, through propaganda or through the abuse of diplomatic privileges."—Manuel Prado, President of the Republic of Peru, September 21, 1961.

## Received at our Desk

**THE UNITED STATES AND LATIN AMERICA.** By DEXTER PERKINS. (Baton Rouge: Louisiana State University Press, 1961. 124 pages, \$3.00).

**THE STRUGGLE FOR DEMOCRACY IN LATIN AMERICA.** By CHARLES O. PORTER AND ROBERT J. ALEXANDER. (New York: Macmillan, 1961. 208 pages and index. \$4.50).

In the first of these slender volumes, the author of an armful of scholarly books on the Monroe Doctrine and other aspects of American foreign policy offers his three Davis Washington Mitchell lectures delivered at Tulane University. As his title suggests, he turns his attention exclusively to the relations of the United States with the Latin American republics, with his view encompassing both the historical record and recent policy. In the second volume a former Democratic representative in Congress from Oregon joins with a Rutgers economist in measuring Latin American progress toward democracy. The congressman's qualifications derive from years of deep interest in the lands south of the border, and the professor's from service with the Office of Inter-American Affairs and the International Cooperation Administration, from virtually commuting to Latin America since 1946, and from the writing of three excellent books and more than 500 articles on subjects Latin American. The three authors are alike in their goodwill toward Latin America, in their moderation of judgment, in their regard for the stakes of an effective inter-Americanism, and in their hopes for a more vigorous and more understanding leadership by the United States.

Professor Perkins reaffirms his earlier conviction that the Monroe Doctrine was originally directed against an "imaginary menace"; he finds that it has "almost never" been invoked outside the Carib-

bean; and he observes that only in canal-related matters has the American government forsaken ideological and moral generalizations and spoken in terms of tangible national interest. In Isthmian defense it found the warrant for the Roosevelt Corollary and military intervention, both repudiated on the suppression of the threat from Imperial Germany. The virtual solidarity of the Western Hemisphere in World War II contrasted with substantial neutralism in World War I; and the Rio Pact of 1947 marked "the culmination of the policy of collaboration in the development of American security." Technological developments, including "progress" in nuclear weaponry, have reduced the strategic importance of the Panama Canal and of Latin America itself. With the real enemy today not invasion but "vicious ideas that emanate from the Kremlin," military assistance to Latin America is unwise, for, "in general, it is not in the interest of the United States to increase the influence of the military in this part of the world, or to stimulate rivalries that are latent in the relations of these republics." Rather, she should make her contribution to the entrenchment of democracy in Latin America.

Professor Perkins reviews Latin America's political and then its economic relations with the United States. His analyses are penetrating and objective; they are neither "patriotic" nor sentimental. He finds that intervention did not pay the expected dividends, that the adoption of the principle of non-intervention in 1936 opened an "era of cordial relations," that nonrecognition of a revolutionary regime probably strengthens it by enabling it to "beat the big brass drum of nationalism," that Latin Americans have never liked the notion of a North American civilizing mission, that the spirit of nationalism is strong in Latin America, and that in many ways communism is ill suited to Latin

America and has, in fact, declined in strength there during the last decade, and that, although "the road will not be easy . . . the events of the last decade and a half lead to a hopeful rather than a despairing judgment."

The United States and Latin America figure importantly in each other's economy. As for so-called economic imperialism, much can be said in refutation of the common indictment. This includes one point, a basic one, too often ignored: the right of sovereign states to lay down the terms on which foreign enterprises may operate. Nationalization, at least in oil, has not brought the expected blessings. Venezuelan oil, in private hands, has prospered more than Mexican oil, nationalized in 1938 but, despite recent improvement, still not producing half the oil of 1921. The financing needs of the southern republics will have to be met by foreign public agencies, for the Latin American record of defaulting has largely dried up the private sources. But financial prudence is improving in Latin America.

Congressman Porter and Professor Alexander have written more particularly of forces *within* Latin America, as their title indicates. After a succinct noting of those favoring democracy and then of those opposing democracy, they review the operation and conflict of those forces since World War I. Their parade of dictators and democrats is accompanied by a running commentary that wisely employs more verbs than adjectives. They next send past the reviewing stand their favorite villains: Trujillo, Stroessner, Duvalier and Luis Somoza, with Trujillo in the leading role and Somoza as a not-quite-lost soul. Writing before an assassin's bullet sent Trujillo to hell, they called him "the most violent, brutal, and absolute" of his kind and observed that internal hatreds seemed to have begun the countdown. They believe that Castro is probably already beyond the point of no return. Not so with Cuba, for there the "ideals of a government based on free elections and human rights still live." But the clock still ticks while "Castro . . . is blowing out Cuba's brains."

The authors conclude by asserting that

the United States has "a great responsibility in the struggle for democracy in Latin America," that she should resume the role of the Good Neighbor, that she should be a friend in need (Latin America's) as well as a friend in need (her own), that she should avoid buddy-buddy relations with dictators, that she should make good on her wartime promises—whether express or implied—to assist in economic development, that she should extend help before crises rather than in them only, that an over-all program can add immensely to good intentions, that a crisis in her Latin-American relations emerged when the recent fall of a half-dozen dictators released the feelings of resentment against her for her dictator policy, that she may now be facing her "last chance" in Latin America, and, finally, that a hopeful "new policy" must embrace (1) an abandonment of the attitude of taking Latin America for granted; (2) a general position favoring democracy against dictatorship in the New World; and (3) a program of real economic co-operation for the development of the Latin American nations.

Porter and Alexander's little volume reveals a broad knowledge of Latin America as well as deep feeling for our neighbors to the south. Demurrs may be entered to two statements. (1) "Latin America is ready for democracy." Does "ready for" mean "mostly wants" or "qualified to practice"? (2) "Latin American democrats mean the same thing by 'democracy' that we do." Some, it seems, do not. It is by no means unusual to find our southern friends using "democracy" to mean a state of independence; to some of them the term is valid when Colombians rule Colombians and Brazilians rule Brazilians—or even when a Cuban rules Cuba. Finally and more basic, other and equally-sincere friends of Latin America—and some outspoken Latin Americans—believe that "responsibility" is a word that should have meaning in both hemispheres, that, in addition to the sermon on the mount, Latin Americans should know whom God helps.

HOWARD C. PERKINS  
University of Pennsylvania

# The Month in Review

## INTERNATIONAL

### Berlin Crisis

Dec. 1—Soviet officers delay a U.S. convoy outside of Berlin. The convoy is en route from West Germany via the East German autobahn to West Berlin.

Dec. 2—East German Communist leader Walter Ulbricht, in a speech published today, rejects the Allied claim to unrestricted use of the 110-mile autobahn.

Dec. 3—*Izvestia* (Soviet government newspaper) rejects U.S. President Kennedy's hope for international control of the East German autobahn.

Dec. 7—Foreign ministry specialists from Britain, West Germany, France and the U.S. meet in Paris to work out a Berlin solution.

Dec. 8—East Germany constructs customs gates at the 7 crossing points along the East-West Berlin wall.

Dec. 9—West German Chancellor Konrad Adenauer confers in Paris with French President Charles de Gaulle on the Berlin crisis.

Dec. 11—In Paris, U.S., British, French and West German foreign ministers meet to discuss the Berlin problem.

Dec. 12—During Allied Foreign Ministers' talks, France remains opposed to negotiating the Berlin crisis.

Dec. 13—The 15-member Nato Ministerial Council rejects the Western Foreign Ministers' compromise on Berlin, i.e., to continue "diplomatic probing of Soviet intentions." The Ministerial Council calls for a more formal and active approach to Berlin negotiations.

Dec. 18—Chancellor Adenauer declares that an East-West conference to discuss Berlin's future must be arranged.

Dec. 23—East German guards refuse to allow civilian aides accompanying the U.S. commandant in Berlin, Major General

Albert Watson 2d, to enter East Berlin without first seeing their identity papers. Major General Watson and his party, en route to an appointment with the acting Soviet commandant in East Berlin, return to West Berlin.

Dec. 24—U.S. Ambassador to West Germany Walter C. Dowling protests to the Soviet Ambassador to East Germany over restricted passage of American officials into East Berlin.

Dec. 31—U.S. authorities check all Soviet military patrol cars seeking entry to West Berlin. The U.S. is enforcing a ban on the entry of the Soviet Commandant and his political adviser in East Berlin into the U.S. sector.

### Disarmament

Dec. 13—The U.S. and the U.S.S.R. offer the U.N. a joint resolution to set up an 18-nation body to negotiate for general and complete disarmament.

### Organization of American States

Dec. 4—The O.A.S. Council votes 14 to 2 with 5 abstentions to ask the foreign ministers of the hemisphere to confer starting January 10 on methods to combat subversion emanating from Cuba.

Dec. 22—The O.A.S. Council postpones the foreign ministers meeting to January 22; it will be held in Punta de Este, Uruguay.

### United Nations

Dec. 1—The General Assembly elects Romania to the Security Council on condition that she split the 2-year term with the Philippines.

Dec. 5—Acting Secretary General of the U.N. U Thant orders U.N. Congo force commanders to take whatever action is necessary to restore U.N. rights in Elisabethville. (For further information see *Congo*.)

Dec. 12—The U.N. reports that the U.S.S.R. owes the U.N. \$41,271,180.

Dec. 14—Tanganyika joins the U.N. as its 104th member.

Dec. 15—The General Assembly votes, 48-47, to reject a suggestion that Communist China be given a U.N. seat.

Dec. 19—The Budget Committee on the General Assembly votes for a \$200 million bond issue to save the U.N. from financial collapse.

Dec. 20—The Assembly votes to ask the International Court of Justice whether the U.N. Charter puts a binding legal obligation on members to pay for military operations voted by a majority of members.

Dec. 21—The Assembly recesses its 16th session.

Dec. 28—The British Foreign Secretary, the Earl of Home, criticizes the U.N. for condoning force and encouraging anti-colonial policies that endanger law and order.

Dec. 28—The U.N. publishes a report from its chief officer in the Congo documenting charges that Union Miniere du Haut-Katanga, a huge mining concern, permitted "murderous attacks" on U.N. personnel from its properties in Elisabethville.

U Thant names 8 Under Secretaries to act as his "principal advisers on important questions." Appointees include an American, Ralph J. Bunche, a Russian, an Indian, a Frenchman, a Brazilian, a Czech, an Egyptian and a Nigerian.

#### West Europe

Dec. 7—A communiqué issued in Paris reveals agreement between the Common Market and 16 African states linking the two groups.

Dec. 9—It is reported from Brussels that the U.S. has refused the Common Market offer of mutual tariff cuts because of American dissatisfaction with farm sections of the offer.

Tanganyika becomes the 40th member nation of the General Agreement on Tariffs and Trade.

Dec. 13—It is reported from Paris that 10 leading industrial nations have worked out a \$6 billion plan to strengthen the International Monetary Fund; details are not disclosed.

Dec. 20—The European Court of Justice

finds Italy guilty of a violation of the Common Market treaty; Italian regulations governing the importation of pork were in question.

Dec. 21—Etienne Hirsch is replaced by Pierre Chatenet as head of the European Atomic Energy Community (Euratom); French President Charles de Gaulle has opposed Hirsch's support of a "United States of Europe."

Dec. 30—The Common Market's Council of Ministers postpones agreement on the farm problem of the Common Market until January, thus delaying passage to the Common Market's "second stage" of a full customs union and economic integration. The delay is considered temporary.

#### ARGENTINA

Dec. 9—After a 42-day walkout, labor union leaders and government officials sign an agreement settling the nationwide railway strike.

Dec. 10—Argentina and Thailand sign a trade agreement during President Arturo Frondizi's visit.

#### AUSTRIA

Dec. 7—Foreign Minister Bruno Kreisky arrives in Finland for a 3-day visit.

#### BELGIUM

##### Ruanda-Urundi

Dec. 3—Ruanda and Urundi delegations arrive in Brussels to discuss their future status. Both countries will receive independence in 1962.

#### BRITISH COMMONWEALTH

##### Australia

Dec. 9—The 24th Federal Parliament is chosen in national elections.

Dec. 10—Prime Minister Robert Gordon Menzies' coalition wins a fifth successive term.

Dec. 18—Election returns give the Liberal-Country coalition a majority of 2 instead of its former 32 seat majority in the House; the Liberal-Country coalition seats 62; the Labor Opposition seats 60.

Dec. 22—Menzies gives up his post as External Affairs Minister and reshuffles his

Cabinet; 3 cabinet ministers were defeated in the general election.

#### Canada

Dec. 21—It is announced in Ottawa that Canada and Communist China have signed a contract under which Canada will supply \$71 million in credit sales of wheat and barley to the Chinese. One-fourth the price will be paid in cash.

Dec. 28—After a conference in Quebec with Governor General George Vanier, Prime Minister John Diefenbaker makes minor Cabinet changes.

#### Ceylon

Dec. 23—It is announced in Colombo that the State Petroleum Corporation has contracted to import a minimum of 1.25 million tons of Soviet petroleum products.

#### Ghana

Dec. 2—Defense Minister Kofi Baako reveals that "Bureaus of Current Affairs" are being established in army units; cabinet members and senior officials of the Convention People's party will speak to the troops.

Dec. 16—The U.S. reveals that it will lend Ghana \$133 million for the Volta River project.

Dec. 23—A State Secrets Bill authorizing 14-year prison terms for spying in Ghana is signed and published.

Dec. 29—Ghana reveals that major contracts for the Volta river project have been signed with U.S., British, Italian, Austrian, Japanese and Nigerian firms.

#### Great Britain (See also *U.S. Foreign Policy*)

Dec. 5—The Government reveals to the Commons that it plans to support its bill to control immigration from other Commonwealth nations in its present form.

Dec. 6—Clamorous argument over the immigration bill forces the Commons to suspend a session for the first time in 5 years.

The Queen returns after a 10,000-mile journey to West Africa.

Dec. 19—Chancellor of the Exchequer Selwyn Lloyd says the Government plans to introduce the decimal system of currency if possible.

Dec. 24—The Foreign Office reveals that

Prime Minister Macmillan and the Foreign Secretary, the Earl of Home, plan to visit Bonn to confer with West German Chancellor Konrad Adenauer on January 9.

Dec. 27—British ships are dispatched toward the Persian Gulf to help in the defense of Kuwait if necessary. (For further information, see *Kuwait*.)

#### India

Dec. 18—Indian forces attack Goa, Damao and Diu, Portuguese enclaves on India's west coast. Portugal has ruled Goa since 1504. Pleas from the U.N., the U.S. and Britain asking India to avoid using force have been unsuccessful.

The U.S., Britain, France and Turkey ask the Security Council to ask India to withdraw her forces and seek a permanent solution of the Goa dispute within the U.N. framework.

Dec. 19—The U.S.S.R. vetoes the Western suggestion that the U.N. supervise a "cease-fire" truce in Goa. Goa, Damao, and Diu surrender to Indian forces.

Prime Minister Jawaharlal Nehru says that in the Portuguese enclaves "the colonial administration had cracked up and the people wanted and welcomed India."

Dec. 29—Indian troops begin to withdraw from Goa, Damao and Diu; Indian civil administration will be instituted shortly.

#### New Zealand

Dec. 29—It is announced in London that Brigadier Bernard Fergusson has been named Governor General of New Zealand, succeeding Viscount Cobhan.

#### BRITISH EMPIRE

##### Federation of Rhodesia and Nyasaland

Dec. 9—The National Democratic party, African nationalist party of Southern Rhodesia, is permanently banned; all political meetings are banned for a month in Southern Rhodesia.

Dec. 17—A new African nationalist party to replace the banned National Democratic party is organized by Joshua Nkomo. The new party will be known as the Southern Rhodesia African People's Union.

**Nigeria**

Dec. 12—The U.S. State Department reveals that Nigeria is to receive \$225 million in U.S. aid, the largest sum ever committed to a country in Africa south of the Sahara.

**Tanganyika**

Dec. 9—Tanganyika becomes an independent sovereign state within the Commonwealth. Prime Minister Julius Nyerere speaks. Prince Philip, Duke of Edinburg, represents Queen Elizabeth II at the independence celebrations.

**CAMBODIA**

Dec. 26—Chief of State Prince Norodom Sihanouk opens the Cambodian congress; he denounces enemies in Thailand and South Vietnam, and praises Communist China.

**CHILE**

Dec. 21—The Inter-American Development Bank approves 4 loans to Chile totaling over \$27 million.

**CHINA, COMMUNIST  
(People's Republic of)**

Dec. 14—*Hsinhua* (Communist Chinese Press Agency) announces that yesterday Communist China and Burma signed an agreement whereby Red China will buy 200,000 metric tons of Burmese rice in 1962. An economic and technical pact was also signed. (See also *Int'l., U.N.*)

**COLOMBIA**

Dec. 9—Colombia breaks off diplomatic ties with Cuba.

Dec. 25—50 persons are killed by a bomb, presumably exploded by terrorists, during a Christmas celebration at an army barracks in Buga.

Dec. 31—A 12-year state of siege is ended.

**CONGO, REPUBLIC OF THE  
(Leopoldville)**

Dec. 1—A U.N. report declares that unless President Moise Tshombe of secessionist Katanga Province is able to regain control of his military troops, the U.N. will use force against them. The report accuses Tshombe and other Katanga officials of

fomenting Katanganese aggression against the U.N. The report, issued by Dr. Sture C. Linner, head of the U.N.'s Congo operation, protests the beating of 2 U.N. officials in the Congo by Katanganese earlier this week.

Dec. 2—Dr. Conor Cruise O'Brien, formerly head of the U.N. forces in the Congo, accuses Britain and France of preventing the U.N. from carrying out measures of which the two nations disapproved.

Dec. 3—The U.N. mission in Elisabethville, capital of Katanga Province, announces that tonight is the deadline for the return of rioting Katanga troops and paracommandos to their barracks. It is reported that unruly Katanga troops have seized 11 persons with the U.N. Secretary General Thant orders U.N. personnel in the Congo to "act vigorously" to restore order.

Dec. 5—Fighting between U.N. and Katanga forces erupts in Elisabethville. Katanga Foreign Minister Evariste Kimba declares that unless the U.N. Congo operation is revised, Katanga will consider itself at war.

Tshombe, on a private visit to France, declares that the Katanganese will wage an all-out war if U.N. "aggression" persists.

Dec. 6—Fighting in Elisabethville continues. The U.N. Command announces that 4 Katanga planes have been destroyed by U.N. planes. The U.S. State Department announces that it will add up to 21 additional transport planes to its 6 globemasters in the Congo.

Dec. 8—U.S. Secretary of State Dean Rusk, in a news conference, firmly endorses the U.N. action in the Congo.

Tshombe returns to Elisabethville from Paris.

The British government agrees to supply 24 1,000 pound bombs for Indian Canberra bomber planes fighting in Katanga.

Dec. 9—Two U.N. jet planes bomb the Elisabethville post office where Katanga troops are assembling. (See also *Int'l., U.N.*)

Dec. 13—U.N. jet planes attack the Lido Hotel in Elisabethville, which Katanga troops have occupied.

Under Secretary of State of the U.S. George W. Ball issues a statement opposing

a ceasefire in Katanga until the "minimum objectives of the U.N. have been attained."

Great Britain asks U Thant to seek an immediate ceasefire in the Congo.

The U.N. withdraws its request that Britain supply bombs for the U.N. forces in the Congo.

Dec. 15—U.N. troops, in an all-out drive to take Elisabethville, come within 350 miles of the city's center.

Tshombe announces that he will meet with central government Premier Cyrille Adoula on neutral territory outside the Congo. It is reported from Leopoldville that Adoula will meet with Tshombe only in the Congo.

France declares that U.N. supply planes carrying men and equipment to the Congo may not fly over French territory.

Dec. 16—Thant tells the U.N. Advisory Committee on the Congo that a ceasefire now would represent "a serious setback" for the U.N.

It is announced that U.N. forces have captured Camp Massart, the leading military post for Katanganese troops in Elisabethville. U.N. forces continue to advance into Elisabethville.

Dec. 18—U Thant orders a cease-fire in the Congo on the part of the U.N. forces there if 2 conditions are met: that U.N. troops meet their minimum military goals in Elisabethville, and that reliable arrangements for a meeting between Tshombe and Adoula be made. Thant orders the ceasefire to remain effective for the duration of the Tshombe-Adoula talks.

Dec. 20—Tshombe and Adoula meet at the U.N. base at Kitona, southwest of Leopoldville.

Dec. 21—In a written statement, Tshombe agrees to accept the Fundamental Law of May 19, 1960 (the Congolese provisional constitution), which subjects the 6 provinces of the Congo to the central government. Tshombe agrees to recognize President Joseph Kasavubu as chief of state and to put Katanga troops under Kasavubu's command. He promises to send delegates to the national parliament. Later, Tshombe hints that his acceptance of an 8-point program might have to be ratified by Katanga province.

Dec. 22—Adoula declares that he will hold

Tshombe to his Kitona pledge.

The Council of Ministers of Katanga Province asserts that the Kitona agreement has been forced on Tshombe, and that it is not valid unless approved by Katanga's National Assembly.

Dec. 23—The U.N. accepts 1,000 Congolese soldiers into its forces.

Dec. 26—U.N. officials in the Congo report that Northern Rhodesia has been assisting Katanga in its fight for secession.

Dec. 28—Six delegates from Katanga province take their seats in the central parliament in Leopoldville.

Dec. 30—It is reported that U Thant has asked the British for permission to station observers in Northern Rhodesia to check on military movements.

## CUBA

Dec. 2—In a 5-hour television broadcast, Premier Fidel Castro calls himself a Marxist-Leninist. He announces that a "united party of Cuba's Socialist revolution," modeled on the C.P.S.U., will be formed.

## DOMINICAN REPUBLIC, THE

Dec. 1—Street demonstrations increase in Santo Domingo; the general strike to demand the resignation of President Joaquin Balaguer is 40-50 per cent effective today in Santo Domingo.

Dec. 2—An amnesty is decreed for all persons implicated in the assassination of ex-dictator Generalissimo Rafael Leonidas Trujillo Molina.

Dec. 7—The government rejects an opposition plan to end the crisis. The National Civic Union, the principal opposition group, proposed that a time limit be set on Balaguer's term.

Dec. 9—The 11-day old general strike ends as a political settlement between the Opposition and Balaguer's supporters appears imminent.

Dec. 10—Balaguer says his refusal to resign in favor of a 7-man Council of State is supported by the armed forces and pro-government elements.

Dec. 13—Dominican demonstrations at the U.S. Consulate's visa office in Santo Domingo continue into their second day.

Dec. 17—Balaguer announces the creation of a governing Council of State which he

will head. Balaguer promises to resign as soon as sanctions, imposed by the O.A.S. against the Republic, are lifted. The Secretary of State for Armed Forces, Major General Pedro Rafael Rodriguez Echarria, supports Balaguer's plan. The Council will schedule elections for a constituent assembly by August 16, and will hold general elections no later than December 20, 1962.

Dec. 19—The National Civic Union agrees to Balaguer's Council of State.

Dec. 20—U.S. President John F. Kennedy welcomes the Dominican political settlement and promises his country's support in helping the Dominican Republic establish a democratic regime.

Dec. 29—Balaguer announces the composition of the Council of State which will rule until 1963. It will begin operation January 1, 1962.

#### DENMARK

Dec. 3—*Izvestia* (Soviet government newspaper) publishes an article warning Denmark against cooperating with West Germany to establish Nato's Baltic Command. The article accuses Denmark of endangering its "neutral neighbors" by involvement with Nato and "German militarists."

Dec. 14—Denmark rejects a Soviet note of December 12 protesting Danish acceptance of the Nato plan for a Baltic Command.

#### EGYPT

Dec. 23—President Gamal Abdel Nasser, in a nationwide radio broadcast, declares that all foreign-owned land in Egypt will be nationalized. He promises elections for a National Assembly in 1962.

Dec. 26—Nasser terminates Egypt's federation with Yemen.

#### EL SALVADOR

Dec. 17—Elections for a 54-man constituent assembly are held.

Dec. 19—Latest returns to date show overwhelming victory for the pro-government National Conciliation party. It leads its strongest rival, the coalition National Parties Union, by more than 3 to 1.

#### ETHIOPIA

Dec. 18—Emperor Haile Selassie dedicates

the Haile Selassie I University, the first university in Ethiopia's 3,000 years as a state.

#### FRANCE

Dec. 5—Foreign Minister Maurice Couve de Murville reasserts French opposition to separate negotiations on the Berlin crisis.

Dec. 9—German Chancellor Konrad Adenauer meets with President Charles de Gaulle in Paris. A communiqué issued by the 2 leaders affirms the need for maintaining Allied unity, and expresses their accord on long range aims. (See also *Int'l. Berlin.*)

Dec. 19—A nationwide protest against right-wing terrorists (i.e., the Secret Army organization) is called by left-wing student and labor groups. 130 persons are wounded in street fighting between demonstrators and Paris police.

#### FRANCE OVERSEAS

##### Algeria

Dec. 8—Violence erupts in Algeria causing a minimum of 30 deaths.

Dec. 10—A new pro-de Gaulle underground movement, the Committee of the Republican Defense—Algeria, declares that it will fight the ultra rightist Secret Army Organization.

Dec. 19—The U.N. General Assembly's Political Committee, 61-0, asks French leaders and Algerian nationalists to settle the Algerian war.

Dec. 29—In a nationwide television and radio address, President de Gaulle announces that most of the French army units in Algeria will be withdrawn in 1962. He is reported to have tacitly confirmed the fact that secret talks with Algerian rebel nationalists have been in process.

Dec. 30—In a fresh wave of violence, at least 15 persons are killed and 21 are injured in fighting in Algiers and Oran.

Sources close to de Gaulle report that talks between Algerian nationalists and French officials have progressed on the question of an Algerian ceasefire and settlement.

#### GERMANY, EAST

##### (Democratic Republic of)

Dec. 30—Communist chief Walter Ulbricht's

report that the flow of refugees from East to West Germany has cost East Germany's economy over 30 billion marks is printed in *Pravda* (Soviet Communist party organ).

#### GERMANY, WEST (Federal Republic of)

Dec. 30—A Ministry of Defense review today reports that 80,000 men were added to the West German military establishment in 1961; West German troop strength at the end of 1961 numbers 378,000. (See also *Int'l. Berlin.*)

#### GUATEMALA

Dec. 8—Unofficial returns give the Government's candidates 25 of the 33 contested seats in the 66-member Congress. Only half the seats were up for the December 5 election.

Dec. 21—President Miguel Ydígoras Fuentes declares that British Field Marshal Viscount Montgomery has offered to mediate the British-Guatemalan dispute over British Honduras. He declares that if nothing is accomplished by March 1, 1962, he will break off ties with Britain.

#### INDONESIA

Dec. 19—President Sukarno announces that soon Indonesian troops will be mobilized to liberate Netherlands New Guinea, to which Indonesia lays claim.

Acting U.N. Secretary General U Thant asks Indonesia and the Netherlands to avoid any action to disrupt peace.

Dec. 23—It is disclosed in a communiqué that Indonesia is seeking U.S. mediation in settling its dispute with the Netherlands over New Guinea.

Dec. 30—Indonesia announces that contact with the Netherlands over the New Guinea problem has been made through the U.S. Foreign Minister Subandrio declares that the Netherlands remains firm in its refusal to yield the territory.

#### IRAQ

Dec. 28—Iraq protests to the U.N. Security Council over the movement of British warships in the last few days to the Persian Gulf area to prevent Iraqi aggression against Kuwait.

Dec. 31—Premier Abdul Karim Kassim, in a newspaper interview, reiterates his determination to "liberate" Kuwait. (See also *Brit. Commonwealth, Gr. Brit.*)

#### ISRAEL

Dec. 11—Presiding Judge Moshe Landau announces that Adolf Eichmann (former lieutenant colonel in the Nazi Gestapo) is guilty of "crimes against the Jewish people, crimes against humanity, a war crime and membership in hostile organizations."

Dec. 13—Israeli Attorney General Gideon Hausner asks that Eichmann be given the death penalty. Defense Counsel Dr. Robert Servatius asks the court for mercy. Eichmann reads a statement in his own behalf.

Dec. 15—Adolf Eichmann is sentenced to death by the Israeli court.

Dec. 17—Eichmann files an appeal.

Dec. 22—Premier David Ben-Gurion returns to Israel after a 2-week visit to Burma.

#### JAPAN

Dec. 26—It is reported that Japan and the U.S. have agreed on a financial settlement of \$490 million as Japan's payment of her foreign aid debt for the period following World War II.

#### KOREA, SOUTH

Dec. 21—Five supporters of ex-President Syngman Rhee are hanged after General Park Chung Hee, leader of the military junta, refuses clemency.

#### KUWAIT (See also *Iraq*)

Dec. 17—The Middle East News Agency reports that Kuwait has told the Arab League that Iraq has taken 10 of its ships and has frozen Kuwait deposits in Iraqi banks.

Dec. 30—Kuwait's first election for a 20-member assembly to establish a constitution is held.

#### LAOS

Dec. 14—The 3 rival Laotian princes meet for 5 hours.

Dec. 18—The 14-nation Geneva conference on Laos unanimously approves a message to the 3 Laotian princes urging a settle-

ment of their differences and a quickening of negotiations for a coalition government. Dec. 27—Rightist Prince Boun Oum, premier of the Vientiane government, is called on by neutralist Prince Souvanna Phouma and leftist Prince Souphanouvong. Boun Oum refuses to hold talks with the 2 princes. He says that the Zurich agreement, at which time it was decided that neutralist Souvanna Phouma should form a coalition government, is outdated. Boun Oum had invited the 2 rival princes to Vientiane to confer.

Dec. 30—Souvanna Phouma leaves Vientiane.

#### LEBANON

Dec. 31—An attempted rightist coup is put down by President Fouad Chehab's government.

#### NEPAL

Dec. 10—King Mahendra announces that fundamental rights suspended one year ago are now restored. The King renews the proclamation of 1960 providing for his direct rule under the constitution, and makes unlawful all references to the parliament in the constitution.

#### NETHERLANDS, THE (See *Indonesia*)

#### PHILIPPINES, THE

Dec. 13—A joint session of Congress names Diosdado Macapagal the newly elected president and Emmanuel Pelaez, his running mate, vice-president.

Dec. 30—Macapagal is inaugurated as the fifth president of the Philippines.

#### POLAND

Dec. 21—It is reported that the Education Ministry published an amendment this week lifting some restrictions on religious instruction by the Catholic church, imposed last August. The restriction requiring all religious classes to be "registered" is eased; catechism schedules must only be reported.

#### PORTUGAL

(See also *Brit. Commonwealth, India*)

Dec. 17—An Algerian source at U.N. head-

quarters reports that Algerian nationalist rebels have been training Angolan rebels in the techniques of guerrilla warfare.

Dec. 19—Goa, Damao and Diu surrender to Indian forces after an attack that began Dec. 18.

Dec. 22—Military officials in Luanda increase security precautions following rebel threats of new attacks.

#### SOUTH AFRICA

Dec. 1—Two loans totaling \$25 million have been granted by the International Bank for Reconstruction and Development for the expansion of electric and railway facilities.

#### SYRIA

Dec. 1—Syrians vote for parliament and for a provisional constitution.

Dec. 3—With returns counted on 152 of the 172 seats in the parliament, returns show that conservative, right-wing groups have won 86 seats.

Dec. 12—Mamoun Kuzbari is elected speaker of the parliament.

Dec. 14—The parliament elects Nazem el Kodsi president of Syria.

Dec. 20—President Kodsi names Maarouf Dawalibi premier.

#### U.S.S.R., THE

Dec. 6—The Soviet Minister of Finance, Vasily F. Garbuzov, announces that one-sixth of the 1962 budget will be spent on defense. The budget reveals an emphasis on building up capital equipment in the consumer goods industries. The outlay for scientific development is increased 12 per cent over the 1961 figure. The total budget is approximately the equivalent of \$90 billion.

Dec. 10—Albanian sources report that the Soviet Union has ordered the closing of its embassy in Albania and recalled its diplomatic mission. Moscow has not made any reference to this development.

*Tass* (official Soviet press agency) publishes a piece denouncing Albanian Communist leaders for their "dogmatism."

Dec. 12—The Soviet Union asks that the U.S. arrest West German General Adolf Heusinger (chairman of the Military

Committee of Nato) who is stationed in the U.S. and extradite him to the U.S.S.R. The Soviet Union accuses Heusinger of war crimes. The U.S. rejects the Soviet demand.

Dec. 16—It is reported that Soviet Premier Nikita S. Khrushchev has threatened farm officials with expulsion from the Communist party for failing to carry out crop recommendations. Khrushchev declares that farm production must be increased.

Dec. 18—The U.S.S.R. announces its support of India's "liberation" of 3 Portuguese enclaves. (See also *Br. Comm., India.*)

Dec. 27—The U.S. agrees to accept as the new Soviet Ambassador to Washington Anatoly F. Dobrynin, who replaces Mikhail A. Menshikov.

## UNITED STATES

### Agriculture

Dec. 8—The Department of Agriculture reports that it estimates the 1961 government-controlled cotton crop at 14,304,000 bales of 500 pounds each.

Dec. 11—Charles B. Schuman, leader of the American Farm Bureau Federation, criticizes government price fixing as a denial of "God's law."

Dec. 13—The American Farm Bureau Federation supports the Administration's request for authority to liberalize foreign trade.

Dec. 15—The Agriculture Department says farm production in 1961 is 2 per cent under the 1960 record, but higher than all previous years.

### Civil Rights

Dec. 8—The Washington, D.C., attorney for the American Communist party enters a plea of not guilty on behalf of the party for failing to register as an arm of the Soviet Union.

Dec. 28—In a suit filed in New Orleans, the Justice Department asks a federal court to void a Louisiana law requiring applicants for voting privileges to pass a constitutional interpretation test, on the grounds that the test is designed to keep Negroes from voting.

Dec. 29—The National Association for the Advancement of Colored People is per-

manently banned from doing business in Alabama by a state court judge.

### The Economy

Dec. 7—A Labor Department spokesman reveals that in November the rate of unemployed in the nation fell to 6.1 per cent: unemployed numbered 3,990,000; employed were a record 67,349,000.

Dec. 12—The Department of Labor reports that the average weekly pay of factory production workers is now \$95.82.

Dec. 17—Former President Dwight D. Eisenhower supports the Administration's plans for more liberal foreign trade policies.

Dec. 26—The Bureau of the Budget reveals that in 1962 the Consumer Price Index will take a new base period, comparing current prices, wages and so forth with 1957-1959 figures instead of 1947-1949.

### Foreign Policy

Dec. 4—The President reveals he will confer with British Prime Minister Harold Macmillan in Bermuda December 21 and 22.

The President extends the ban on Cuban sugar imports through June 30, 1962.

Dec. 10—Secretary of State Dean Rusk arrives in Paris to confer on Berlin with French, British and West German diplomats.

Dec. 14—It is revealed in Washington that President Kennedy has written to Indian Prime Minister Jawaharlal Nehru and to Indonesian President Sukarno asking them to refrain from the use of force to take territory they regard as theirs. (See also *British Commonwealth, India.*)

Dec. 15—The President and Mrs. Kennedy are warmly greeted in Puerto Rico as the President starts his 6300-mile Latin American weekend tour.

The State Department reveals that the U.S. will send 500,000 tons of wheat and 30,000 tons of edible oils to Yugoslavia.

Dec. 16—In Spain, Dean Rusk lauds Spain as a U.S. ally.

In Venezuela, the President is welcomed and urges the end of "all tyranny" in Latin America.

Dec. 17—The President is welcomed in Colombia.

Dec. 21—The President and Prime Minister Macmillan confer on nuclear weapons, Berlin and the Congo in Bermuda.

Dec. 22—Kennedy and Macmillan issue a joint communiqué; they agree to renew contacts with the U.S.S.R. on the Berlin crisis and to prepare for resumption of nuclear tests in the atmosphere; they agree also that there has been some progress in resolving the Congo dispute.

Dec. 24—President Kennedy discusses Cuba with Argentine President Arturo Frondizi.

Dec. 28—Harlan Cleveland, Assistant Secretary of State for International Organizational Affairs, tells a news conference that President Kennedy intends to ask Congress for authority to buy up to half of the proposed United Nations \$200 million bond issue.

Dec. 30—It is announced that Mrs. John F. Kennedy will delay her trip to India and Pakistan until early March because of the illness of the President's father.

Peace Corps officials announce that 530 volunteers are working in 9 countries; 50 more are to go to Sierra Leone as school teachers this week; 147 will complete their training within a month.

#### Government

Dec. 1—13,000 commercial banks are authorized by the Federal Reserve Board and the Federal Deposit Insurance Corporation to pay up to 3.5 per cent interest on savings and time deposits of six months or more and up to 4 per cent on deposits of a year or more.

The Communist party of the U.S. is indicted by a federal grand jury for failing to register as an arm of the U.S.S.R.

Dec. 6—Speaking at a luncheon given by the National Association of Manufacturers, President Kennedy asks 2300 industrialists to support his bid for "new and bold" power to negotiate tariff reductions with West Europe.

Dec. 7—The President appoints new ambassadors to Mali, Haiti and Syria and reveals the establishment of annual immigration quotas for Cameroon, Kuwait, Nigeria and Syria.

Dec. 18—Henry R. Labouisse is named Ambassador to Greece; the appointment will be confirmed when the Senate reconvenes.

Dec. 22—Ellis O. Briggs is named Ambassador to Spain.

Dec. 23—It is reported from Washington that 336 lobbyists registered with the Clerk of the House of Representatives and the Secretary of the Senate in 1961.

John Moors Cabot is named Ambassador to Poland.

Arthur Schlesinger is named as a member of the National Historical Publications Committee for a 4-year term.

Dec. 27—The President is pronounced in "excellent general health" after a physical examination; because of a back weakness, vigorous physical activity is still proscribed.

Dec. 28—The Civil Aeronautics Board authorizes a 3 per cent fare increase for 6 months for major domestic airlines.

Robert B. McClintock is named Ambassador to Argentina.

#### Labor

Dec. 5—The Labor Department reports that in the last 50 years the average earnings of production workers have gone up from \$10 to \$90 a week.

Dec. 6—A.F.L.-C.I.O. President George Meany drops United Automobile Workers Union head Walter P. Reuther from the committee to welcome President Kennedy to the labor convention in Florida.

Dec. 7—Kennedy asks the A.F.L.-C.I.O. for support for his freer trade program.

Dec. 9—The Committee for Economic Development issues a 158-page report calling for less government aid and more self-reliance from employers and employees in collective bargaining.

Dec. 11—The A.F.L.-C.I.O. votes to set aside the question of readmission of the Teamsters Union for at least two years.

Dec. 14—The A.F.L.-C.I.O. executive council reorganizes its civil rights committee; the reorganization is approved by A. Philip Randolph, the federation's only Negro vice-president.

#### Military Policy

Dec. 10—The first A-bomb test explosion of Project Gnome, a series of atoms-for-peace-explosions, releases radiation in an accidentally violent blast.

Dec. 14—At a Pentagon news conference, details of a \$700 million program for fed-

eral aid for community shelters are released.

Dec. 19—The Atomic Energy Commission reports that radiation levels for humans are still within acceptable health limits despite renewed fall-out from recent Russian nuclear tests.

Dec. 21—The Army releases photographs of a Nike Zeus anti-missile missile that has successfully knocked down a missile in flight.

Dec. 26—The Department of Defense approves Air Force plans for manned orbital flights of its Dyna Soar space glider.

#### Politics

Dec. 2—Adlai Stevenson informs President Kennedy that he may run for the U.S. Senate in 1962 in Illinois.

Dec. 5—Stevenson says he will not run for the Senate but will retain his post as chief U.S. representative at the U.N.

Dec. 15—Governor Nelson Rockefeller reveals plans for political tours in 7 states in the course of the next 6 months.

Dec. 26—Democratic leaders in Connecticut reveal that Abraham Ribicoff, Secretary of Health, Education and Welfare, will run for the U.S. Senate if nominated at the June Democratic state convention.

Dec. 27—Rockefeller says New York voters expect their governor to be national figures, explaining his refusal to pledge to serve a full 4-year gubernatorial term if re-elected.

Dec. 30—Former Chairman of the Democratic National Committee Paul M. Butler dies of a heart attack.

#### Segregation

Dec. 15—Some 1,500 Negroes are dispersed by tear gas in Baton Rouge, Louisiana; the demonstrators were protesting the arrest of 23 Negroes for picketing and sit-downs.

Dec. 16—264 Negroes including Martin Luther King are arrested while demonstrating in Albany, Georgia.

Dec. 18—After an agreement reached in Albany, Georgia, some 750 persons are bonded and released from jail, including Dr. King.

#### Supreme Court

Dec. 11—Ruling unanimously, the Supreme

Court sets aside convictions in the Southern student sit-down demonstrations; the 3 cases at issue involve 16 Negro students at Southern University in Baton Rouge, Louisiana.

The Supreme Court leaves standing a lower court decision that New Rochelle, New York, must desegregate its Negro pupils in the public schools.

The Court rules 6 to 3 that the Federal Trade Commission is entitled to see copies of confidential reports manufacturers prepare for the Bureau of the Census.

Dec. 18—The Court refuses to order a temporary halt in the Mississippi prosecution of Freedom Riders; a federal suit attacking the state action as unconstitutional is pending.

#### VATICAN, THE

Dec. 25—Pope John XXIII issues a Papal Bull officially convoking the twenty-first ecumenical council of the Roman Catholic Church in 1962.

#### VENEZUELA

Dec. 14—Violence flares as demonstrators protest the imminent visit of U.S. President John F. Kennedy.

Dec. 17—Kennedy departs from Venezuela after a 24-hour visit. President Romulo Betancourt and Kennedy issue a joint communiqué outlining U.S.-Venezuelan cooperation under the Alliance for Progress.

#### VIETNAM, SOUTH

Dec. 8—U.S. Secretary of State Dean Rusk urges other "non-Communist states" to support actively the South Vietnam government led by President Ngo Dinh Diem.

Dec. 16—It is reported that the U.S. and South Vietnam will undertake joint military intelligence operations in the fight against Communist guerrillas. The U.S. will also send persons to evaluate social and economic conditions in Vietnam.

Dec. 19—It is reported that U.S. soldiers not in uniform are being used in South Vietnamese battle areas, working with transport and communications. Although not involved in actual combat, the U.S. soldiers may shoot if fired on.

YEMEN (See *Egypt*.)

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